

Australian Accounting Standard

AAS 8
October 1997

Events Occurring After Reporting Date

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Defined words appear in <i>italics</i> the first time they appear in a section. The definitions are in Section 7. Standards are printed in bold type and commentary in light type.

MAIN FEATURES OF THE STANDARD

The Standard:

- (a) distinguishes between two types of events occurring after reporting date:
 - (i) the first type of event provides evidence of, or additional evidence of, conditions which existed at reporting date
 - (ii) the second type of event creates new conditions after reporting date
- (b) requires, where applicable, the effect of the first type of event to be reflected in the financial report that is being completed
- (c) prohibits the financial effect of the second type of event from being recognised in the financial report that is being completed
- (d) requires specific disclosures about the second type of event to be made in the financial report that is being completed.

AUSTRALIAN ACCOUNTING STANDARD

AAS 8 “EVENTS OCCURRING AFTER REPORTING DATE”

1 Application

- 1.1 This Standard applies to *general purpose financial reports* of each *reporting entity* to which Accounting Standards operative under the Corporations Law do not apply.
- 1.2 This Standard also applies to financial reports that are held out to be general purpose financial reports by an *entity* which is not a reporting entity, and to which Accounting Standards operative under the Corporations Law do not apply.
- 1.2.1 Accounting Standards operative under the Corporations Law apply to companies and to other entities required by legislation, ministerial directive or other government authority to apply such Standards. Reporting entities which are not required to apply Accounting Standards operative under the Corporations Law are required to apply this Standard.
- 1.2.2 The standards specified in this Standard apply to the financial report where information resulting from their application is material. This requirement is set out in Australian Accounting Standard AAS 5 “Materiality”, which provides guidance on the role of materiality in making judgements in the preparation and presentation of financial reports.

2 Operative Date

- 2.1 This Standard applies to reporting periods ending on or after 30 June 1998.
- 2.2 This Standard may be applied to reporting periods ending before 30 June 1998.
- 2.2.1 AAS 8 “Events Occurring After Balance Date”, as issued in April 1986, continues to apply to reporting periods that end before 30 June 1998. However, where an *entity* elects to apply this Standard early in accordance with paragraph 2.2, it will not also be

obliged to comply with AAS 8, as issued in April 1986, for the reporting periods to which the election applies.

- 2.3** When operative, this Standard supersedes Australian Accounting Standard AAS 8 “Events Occurring After Balance Date” as issued in April 1986.

3 Purpose of Standard

3.1 The purpose of this Standard is to:

- (a) prescribe the *events occurring after reporting date* for which the effects must be reflected in the *general purpose financial report*
- (b) prescribe the events occurring after reporting date for which the financial effects must not be *recognised* in the general purpose financial report
- (c) require specific disclosures in respect of events occurring after reporting date.

4 Conditions Existing at Reporting Date

4.1 The statement of financial position and the profit and loss or other operating statement must be prepared on the basis of conditions existing at *reporting date*.

4.1.1 The statement of financial position provides information about the financial position of an *entity* as at a particular date and the profit and loss or other operating statement provides information about the results of the entity’s operations for the reporting period ending on that date.

4.2 The *general purpose financial report* must reflect the financial effect of an *event occurring after reporting date* that:

- (a) provides additional evidence of conditions that existed at reporting date; or
- (b) reveals for the first time a condition that existed at reporting date.

- 4.2.1 Estimates based on the information existing at reporting date usually have to be made in preparing general purpose financial reports. However, where an event occurring after reporting date provides further information about the conditions existing at reporting date, the initial estimates of *assets* and *liabilities* or of other information disclosed in the general purpose financial report are adjusted to take into account the new information. In some circumstances, an event occurring after reporting date may result in assets and liabilities being *recognised* for the first time. These adjustments are necessary to ensure that the general purpose financial report reflects the financial position as at the reporting date and the performance of the entity for the reporting period ending as at the reporting date.
- 4.2.2 The following are examples of events occurring after reporting date which relate to conditions existing at reporting date, the financial effect of which is recognised in the financial report:
- (a) a commercial assessment or legal determination, after reporting date, which establishes definitively a claim which was in existence, but of uncertain amount, at reporting date
 - (b) ascertainment of selling prices for inventory items, after reporting date, where those prices were uncertain at reporting date, thereby affecting the determination of the carrying amount of inventory items measured at net realisable values.
- 4.2.3 An event occurring after reporting date which relates to conditions existing at reporting date may give rise to an effect that is not reflected in the statement of financial position or the profit and loss or other operating statement. An example is new information that becomes available and leads to a revision of the estimate of a capital commitment that is disclosed in the general purpose financial report.

5 Conditions After Reporting Date

- 5.1 **Where an *event occurring after reporting date* provides new information that does not relate to conditions existing at *reporting date*, the following information must be disclosed:**
- (a) **a description of the event**
 - (b) **a statement that the event occurred after reporting date**

- (c) **a statement that the financial effect of the event has not been *recognised***
- (d) **subject to sub-paragraph (e), the financial effect of the event or, where it is not possible to estimate the effect reliably, a statement to that effect**
- (e) **where the event provides evidence that the *going concern basis* is not appropriate for the *entity* or for a *subsidiary* of the *economic entity* (where the *reporting entity* is an economic entity) after the reporting date**
 - (i) ***assets* for which the going concern basis is not appropriate, the carrying amounts and the amounts for which the assets are expected to be realised**
 - (ii) ***liabilities* for which the going concern basis is not appropriate, the carrying amounts and the amounts for which the liabilities are expected to be settled.**

5.1.1 An event occurring after reporting date does not give rise to adjustments to assets and liabilities if the event does not relate to conditions existing at reporting date. An event occurring after reporting date that affects conditions after reporting date is disclosed if its non-disclosure has the potential to adversely affect decisions about the allocation of scarce resources made by users of the financial report; or the discharge of accountability by the management or governing body of the entity.

5.1.2 The following are examples of events occurring after reporting date that do not provide evidence about conditions existing at the reporting date:

- (a) the commencement or settlement of litigation, where the cause of the action arises after reporting date
- (b) a fire or flood loss after reporting date
- (c) a major currency re-alignment after reporting date
- (d) raising of additional share or loan capital after reporting date
- (e) mergers or acquisitions after reporting date

- (f) cessation of significant trading activities after reporting date where such cessation was not contemplated at reporting date
 - (g) expropriation of an investment or other asset after reporting date
 - (h) an administrative order made after reporting date to abolish, or restructure, a public sector reporting entity
 - (i) the waiving by government after reporting date of interest accrued at reporting date in respect of government loans previously made to the entity
 - (j) a variation after reporting date in the level of government grants that will be made to an entity as part of a multi-period grant.
- 5.1.3 An event occurring after the reporting date may indicate that the reporting entity, or a subsidiary of an economic entity, ceases to be a going concern after the reporting date. For example, deterioration in operating results and financial position after the reporting date may indicate that the entity ceases to be a going concern.
- 5.1.4 Where a subsidiary of an economic entity ceases to be a going concern after the reporting date, assets of the subsidiary measured at amounts for which they are expected to be realised and liabilities of the subsidiary measured at amounts for which they are expected to be settled are disclosed in the financial report.
- 5.1.5 There may be circumstances where an entity is to be abolished or restructured after reporting date pursuant to legislation, ministerial directive or other externally imposed requirement and the assets and liabilities of the entity (the “transferor”) will be transferred to another entity (the “transferee”) after reporting date at no cost, or for nominal consideration. In such circumstances, the abolition or restructuring of itself does not mean that the transferor is not a going concern. This includes an entity that is to be abolished or restructured by statute and where the operation of the entity is to be subsumed by another entity.

6 Comparative Information

6.1 Information for the preceding corresponding reporting period which corresponds to the disclosures specified for the current

reporting period must be disclosed, except where, in respect of the reporting period to which this Standard is first applied, the superseded Standard did not require corresponding information.

- 6.1.1 Disclosure of comparative information for the reporting period to which this Standard is first applied is encouraged where the superseded Accounting Standard does not require corresponding information.

7 Definitions

7.1 In this Standard:

***assets* means future economic benefits controlled by the *entity* as a result of past transactions or other past events**

economic entity* means a group of entities comprising the *parent entity* and each of its *subsidiaries

***entity* means any legal, administrative, or fiduciary arrangement, organisational structure or other party (including a person) having the capacity to deploy scarce resources in order to achieve objectives**

equity* means the residual interest in the *assets* of the entity after deduction of its *liabilities

***event occurring after reporting date* means:**

- (a) a circumstance that has arisen; or
- (b) information that has become available,

after *reporting date*, but prior to the *time of completion*

***expenses* means consumptions or losses of future economic benefits in the form of reductions in assets or increases in liabilities of the entity, other than those relating to distributions to owners, that result in a decrease in *equity* during the reporting period**

***general purpose financial report* means a financial report intended to meet the information needs common to users who are unable to command the preparation of reports**

tailored so as to satisfy, specifically, all of their information needs

going concern basis means the accounting basis whereby in the preparation of the financial report the *reporting entity* is viewed as a going concern: that is, the entity is expected to

- (a) be able to pay its debt as and when they fall due; and
- (b) continue in operation without any intention or necessity to liquidate or otherwise wind up its operations

liabilities means future sacrifices of economic benefits that the entity is presently obliged to make to other entities as a result of past transactions or other past events

parent entity means an entity which controls another entity

recognised means reported on, or incorporated in amounts reported on, the face of the profit and loss or other operating statement or the statement of financial position (whether or not further disclosure of the item is made in notes)

reporting date means the end of the reporting period to which the financial report relates

reporting entity means an entity (including an *economic entity*) in respect of which it is reasonable to expect the existence of users dependent on *general purpose financial reports* for information which will be useful to them for making and evaluating decisions about the allocation of scarce resources

revenues means inflows or other enhancements, or savings in outflows, of future economic benefits in the form of increases in assets or reductions in liabilities of the entity, other than those relating to contributions by owners, that result in an increase in equity during the reporting period

subsidiary means an entity which is controlled by a parent entity

time of completion means:

- (a) in the case of companies - the date of the Directors' Statement

- (b) **in the case of other entities - the date of final approval of the financial report by the management or governing body of the entity, whichever is applicable.**

CONFORMITY WITH INTERNATIONAL AND NEW ZEALAND ACCOUNTING STANDARDS

Conformity with International Accounting Standards

This Standard covers the scope of International Accounting Standard IAS 10 “Contingencies and Events Occurring After the Balance Sheet Date” to the extent that IAS 10 addresses events occurring after balance date.

As at the date of issue of this Standard, compliance with this Standard will ensure conformity with IAS 10 to the extent that IAS 10 addresses events occurring after reporting date, with one exception. The exception relates to an event occurring after reporting date that provides evidence that the going concern basis is not appropriate after the reporting date. Under this circumstance, IAS 10 requires the financial effect of the event to be recognised in the financial report. This Standard requires, where the going concern basis is not appropriate after reporting date, the financial effect of the event to be disclosed.

Conformity with New Zealand Accounting Standards

As at the date of issue of this Standard, compliance with this Standard will ensure conformity with Financial Reporting Standard FRS-5 “Accounting for Events Occurring After Balance Date”.

BACKGROUND TO REVISION

This section does not form part of the Standard. It is a summary of the reasons for the current revision to the superseded Standard.

- 1 The reissue of this Standard is part of a program being undertaken by the Public Sector Accounting Standards Board (PSASB) of the Australian Accounting Research Foundation and by the Australian Accounting Standards Board (AASB) to achieve greater harmony between Australian accounting standards and those of the International Accounting Standards Committee.
- 2 The issue of the Standard follows consideration of the responses received on Exposure Draft ED 76 “Events Occurring After Reporting Date”, which was prepared by the PSASB and the AASB and released in March 1997. ED 76 contained proposals aimed at harmonising this Standard with International Accounting Standard IAS 10 “Contingencies and Events Occurring After the Balance Sheet Date” to the extent that IAS 10 addresses events occurring after balance date.

Principal Features of ED 76 Included in the Revised Standard

- 3 Consistent with ED 76, the Standard:
 - (a) requires disclosure of assets measured at realisable amounts and liabilities measured at settlement amounts where the going concern basis is not appropriate after reporting date
 - (b) where the effect of an event occurring after reporting date that is required to be disclosed in the financial report cannot be estimated reliably, requires a statement to that effect to be disclosed.

Noteworthy Differences from ED 76

- 4 ED 76 proposed assets measured at realisation amounts and liabilities measured at settlement amounts to be recognised where an event occurring after reporting date provides evidence that the going concern basis is not appropriate after reporting date. The Standard requires that this information be disclosed in the financial report. The Corporations Law requires a financial report to provide a true and fair view of the financial position of an entity as at the reporting date and of the results of the entity for the period ending on that

date. Statement of Accounting Concepts SAC 2 “Objective of General Purpose Financial Reporting” also states that to achieve the objective of general purpose financial reporting, general purpose financial reports must provide information about the operating results for the reporting period and the financial position as at the end of the reporting period. To adjust the assets and liabilities recognised in the general purpose financial report for conditions that did not exist as at the end of the reporting period is not consistent with either the Corporations Law or the objective of general purpose financial reporting.

- 5 ED 76 proposed to remove the definition of “time of completion”. However, most respondents who commented on the proposal noted that it is a useful definition. In response to these comments, the definition of “time of completion”, subject to minor changes, is retained in the Standard.
- 6 Some respondents to ED 76 commented that it was not clear whether an entity is considered to be a going concern where it is to be abolished or restructured after reporting date pursuant to a statute or ministerial requirement. The Standard clarifies that the abolition or restructuring of itself does not mean that the going concern basis is inappropriate.

TABLE OF COMPARATIVE PARAGRAPHS

Superseded	New	Comments
1	3.1	Purpose of Standard
2		Deleted
3	7.1	Definitions amended and added
4	4.1.1	
5	4.2.1, 5.1.1	
6, 7	4.2.2, 4.2.3	Examples of recognisable events
6, 8	5.1.2	Examples of non-recognisable events
9, 16, 17	4.2	
10	5.1(e), 5.1.3, 5.1.4, 5.1.5	Going concern paragraphs added
11, 12, 13		Deleted
14	1.2.2	Materiality
15	4.1	
18	5.1(a)–5.1(d)	
19	1.1 - 1.1.1	Application
19	2.1 - 2.3.1	Operative Date
	6.1, 6.1.1	Comparative Information added