

Events after the Reporting Period

This compiled Standard applies to annual periods beginning on or after 1 January 2020. Earlier application is permitted for annual periods beginning after 24 July 2014 but before 1 January 2020. It incorporates relevant amendments made up to and including 21 May 2019.

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Australian Accounting Standards Board
PO Box 204
Collins Street West
Victoria 8007
AUSTRALIA

Phone: (03) 9617 7600
E-mail: standard@aaasb.gov.au
Website: www.aasb.gov.au

Other enquiries

Phone: (03) 9617 7600
E-mail: standard@aaasb.gov.au

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AVAILABLE ON THE AASB WEBSITE

Basis for Conclusions on IAS 10

Australian Accounting Standard AASB 110 *Events after the Reporting Period* (as amended) is set out in paragraphs 1 – Aus24.2 and Appendix A. All the paragraphs have equal authority. Paragraphs in **bold type** state the main principles. AASB 110 is to be read in the context of other Australian Accounting Standards, including AASB 1048 *Interpretation of Standards*, which identifies the Australian Accounting Interpretations, and AASB 1057 *Application of Australian Accounting Standards*. In the absence of explicit guidance, AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* provides a basis for selecting and applying accounting policies.

Comparison with IAS 10

AASB 110 *Events after the Reporting Period* as amended incorporates IAS 10 *Events after the Reporting Period* as issued and amended by the International Accounting Standards Board (IASB). Australian-specific paragraphs (which are not included in IAS 10) are identified with the prefix “Aus” or “RDR”. Paragraphs that apply only to not-for-profit entities begin by identifying their limited applicability.

Tier 1

For-profit entities complying with AASB 110 also comply with IAS 10.

Not-for-profit entities’ compliance with IAS 10 will depend on whether any “Aus” paragraphs that specifically apply to not-for-profit entities provide additional guidance or contain applicable requirements that are inconsistent with IAS 10.

Tier 2

Entities preparing general purpose financial statements under Australian Accounting Standards – Reduced Disclosure Requirements (Tier 2) will not be in compliance with IFRS Standards.

AASB 1053 *Application of Tiers of Australian Accounting Standards* explains the two tiers of reporting requirements.

Accounting Standard AASB 110

The Australian Accounting Standards Board made Accounting Standard AASB 110 *Events after the Reporting Period* under section 334 of the *Corporations Act 2001* on 7 August 2015.

This compiled version of AASB 110 applies to annual periods beginning on or after 1 January 2020. It incorporates relevant amendments contained in other AASB Standards made by the AASB up to and including 21 May 2019 (see Compilation Details).

Accounting Standard AASB 110 *Events after the Reporting Period*

Objective

- 1 The objective of this Standard is to prescribe:
- (a) when an entity should adjust its financial statements for events after the reporting period; and
 - (b) the disclosures that an entity should give about the date when the financial statements were authorised for issue and about events after the reporting period.

The Standard also requires that an entity should not prepare its financial statements on a going concern basis if events after the reporting period indicate that the going concern assumption is not appropriate.

- AusCF1 AusCF entities are:
- (a) not-for-profit entities; and
 - (b) for-profit entities that are not applying the *Conceptual Framework for Financial Reporting* (as identified in AASB 1048 *Interpretation of Standards*).

For AusCF entities, the term 'reporting entity' is defined in AASB 1057 *Application of Australian Accounting Standards* and Statement of Accounting Concepts SAC 1 *Definition of the Reporting Entity* also applies. For-profit entities applying the *Conceptual Framework for Financial Reporting* are set out in paragraph Aus1.1 of the *Conceptual Framework*.

Scope

- 2 **This Standard shall be applied in the accounting for, and disclosure of, events after the reporting period.**

Definitions

- 3 The following terms are used in this Standard with the meanings specified:
- Events after the reporting period* are those events, favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue. Two types of events can be identified:**
- (a) those that provide evidence of conditions that existed at the end of the reporting period (*adjusting events after the reporting period*); and
 - (b) those that are indicative of conditions that arose after the reporting period (*non-adjusting events after the reporting period*).
- 4 The process involved in authorising the financial statements for issue will vary depending upon the management structure, statutory requirements and procedures followed in preparing and finalising the financial statements.
- 5 In some cases, an entity is required to submit its financial statements to its shareholders for approval after the financial statements have been issued. In such cases, the financial statements are authorised for issue on the date of issue, not the date when shareholders approve the financial statements.

Example

The management of an entity completes draft financial statements for the year to 31 December 20X1 on 28 February 20X2. On 18 March 20X2, the board of directors reviews the financial statements and authorises them for issue. The entity announces its profit and selected other financial information on 19 March 20X2. The financial statements are made available to shareholders and others on 1 April 20X2. The shareholders approve the financial statements at their annual meeting on 15 May 20X2 and the approved financial statements are then filed with a regulatory body on 17 May 20X2.

The financial statements are authorised for issue on 18 March 20X2 (date of board authorisation for issue).

- 6 In some cases, the management of an entity is required to issue its financial statements to a supervisory board (made up solely of non-executives) for approval. In such cases, the financial statements are authorised for issue when the management authorises them for issue to the supervisory board.

Example

On 18 March 20X2, the management of an entity authorises financial statements for issue to its supervisory board. The supervisory board is made up solely of non-executives and may include representatives of employees and other outside interests. The supervisory board approves the financial statements on 26 March 20X2. The financial statements are made available to shareholders and others on 1 April 20X2. The shareholders approve the financial statements at their annual meeting on 15 May 20X2 and the financial statements are then filed with a regulatory body on 17 May 20X2.

The financial statements are authorised for issue on 18 March 20X2 (date of management authorisation for issue to the supervisory board).

- 7 Events after the reporting period include all events up to the date when the financial statements are authorised for issue, even if those events occur after the public announcement of profit or of other selected financial information.

Recognition and measurement

Adjusting events after the reporting period

- 8 **An entity shall adjust the amounts recognised in its financial statements to reflect adjusting events after the reporting period.**
- 9 The following are examples of adjusting events after the reporting period that require an entity to adjust the amounts recognised in its financial statements, or to recognise items that were not previously recognised:
- (a) the settlement after the reporting period of a court case that confirms that the entity had a present obligation at the end of the reporting period. The entity adjusts any previously recognised provision related to this court case in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* or recognises a new provision. The entity does not merely disclose a contingent liability because the settlement provides additional evidence that would be considered in accordance with paragraph 16 of AASB 137.
 - (b) the receipt of information after the reporting period indicating that an asset was impaired at the end of the reporting period, or that the amount of a previously recognised impairment loss for that asset needs to be adjusted. For example:
 - (i) the bankruptcy of a customer that occurs after the reporting period usually confirms that the customer was credit-impaired at the end of the reporting period; and
 - (ii) the sale of inventories after the reporting period may give evidence about their net realisable value at the end of the reporting period.
 - (c) the determination after the reporting period of the cost of assets purchased, or the proceeds from assets sold, before the end of the reporting period.

- (d) the determination after the reporting period of the amount of profit-sharing or bonus payments, if the entity had a present legal or constructive obligation at the end of the reporting period to make such payments as a result of events before that date (see AASB 119 *Employee Benefits*).
- (e) the discovery of fraud or errors that show that the financial statements are incorrect.

Non-adjusting events after the reporting period

10 An entity shall not adjust the amounts recognised in its financial statements to reflect non-adjusting events after the reporting period.

11 An example of a non-adjusting event after the reporting period is a decline in fair value of investments between the end of the reporting period and the date when the financial statements are authorised for issue. The decline in fair value does not normally relate to the condition of the investments at the end of the reporting period, but reflects circumstances that have arisen subsequently. Therefore, an entity does not adjust the amounts recognised in its financial statements for the investments. Similarly, the entity does not update the amounts disclosed for the investments as at the end of the reporting period, although it may need to give additional disclosure under paragraph 21.

Dividends

12 If an entity declares dividends to holders of equity instruments (as defined in AASB 132 *Financial Instruments: Presentation*) after the reporting period, the entity shall not recognise those dividends as a liability at the end of the reporting period.

13 If dividends are declared after the reporting period but before the financial statements are authorised for issue, the dividends are not recognised as a liability at the end of the reporting period because no obligation exists at that time. Such dividends are disclosed in the notes in accordance with AASB 101 *Presentation of Financial Statements*.

Going concern

14 An entity shall not prepare its financial statements on a going concern basis if management determines after the reporting period either that it intends to liquidate the entity or to cease trading, or that it has no realistic alternative but to do so.

15 Deterioration in operating results and financial position after the reporting period may indicate a need to consider whether the going concern assumption is still appropriate. If the going concern assumption is no longer appropriate, the effect is so pervasive that this Standard requires a fundamental change in the basis of accounting, rather than an adjustment to the amounts recognised within the original basis of accounting.

16 AASB 101 specifies required disclosures if:

- (a) the financial statements are not prepared on a going concern basis; or
- (b) management is aware of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern. The events or conditions requiring disclosure may arise after the reporting period.

Disclosure

Date of authorisation for issue

17 An entity shall disclose the date when the financial statements were authorised for issue and who gave that authorisation. If the entity's owners or others have the power to amend the financial statements after issue, the entity shall disclose that fact.

18 It is important for users to know when the financial statements were authorised for issue, because the financial statements do not reflect events after this date.

Updating disclosure about conditions at the end of the reporting period

- 19 **If an entity receives information after the reporting period about conditions that existed at the end of the reporting period, it shall update disclosures that relate to those conditions, in the light of the new information.**
- 20 In some cases, an entity needs to update the disclosures in its financial statements to reflect information received after the reporting period, even when the information does not affect the amounts that it recognises in its financial statements. One example of the need to update disclosures is when evidence becomes available after the reporting period about a contingent liability that existed at the end of the reporting period. In addition to considering whether it should recognise or change a provision under AASB 137, an entity updates its disclosures about the contingent liability in the light of that evidence.

Non-adjusting events after the reporting period

- 21 **If non-adjusting events after the reporting period are material, non-disclosure could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. Accordingly, an entity shall disclose the following for each material category of non-adjusting event after the reporting period:**
- (a) **the nature of the event; and**
 - (b) **an estimate of its financial effect, or a statement that such an estimate cannot be made.**
- 22 The following are examples of non-adjusting events after the reporting period that would generally result in disclosure:
- (a) a major business combination after the reporting period (AASB 3 *Business Combinations* requires specific disclosures in such cases) or disposing of a major subsidiary;
 - (b) announcing a plan to discontinue an operation;
 - (c) major purchases of assets, classification of assets as held for sale in accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*, other disposals of assets, or expropriation of major assets by government;
 - (d) the destruction of a major production plant by a fire after the reporting period;
 - (e) announcing, or commencing the implementation of, a major restructuring (see AASB 137);
 - (f) major ordinary share transactions and potential ordinary share transactions after the reporting period (AASB 133 *Earnings per Share* requires an entity to disclose a description of such transactions, other than when such transactions involve capitalisation or bonus issues, share splits or reverse share splits all of which are required to be adjusted under AASB 133);
 - (g) abnormally large changes after the reporting period in asset prices or foreign exchange rates;
 - (h) changes in tax rates or tax laws enacted or announced after the reporting period that have a significant effect on current and deferred tax assets and liabilities (see AASB 112 *Income Taxes*);
 - (i) entering into significant commitments or contingent liabilities, for example, by issuing significant guarantees; and
 - (j) commencing major litigation arising solely out of events that occurred after the reporting period.

Effective date

- 23 An entity shall apply this Standard for annual periods beginning on or after 1 January 2018. Earlier application is encouraged for periods beginning after 24 July 2014 but before 1 January 2018. If an entity applies this Standard for a period beginning before 1 January 2018, it shall disclose that fact.
- 23A [Deleted by the AASB]
- 23B AASB 2014-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)* issued in December 2014 amended paragraph 9 in the previous version of this Standard. An entity shall apply that amendment when it applies AASB 9.

- 23C AASB 2018-7 *Amendments to Australian Accounting Standards – Definition of Material*, issued in December 2018, amended paragraph 21. An entity shall apply those amendments prospectively for annual periods beginning on or after 1 January 2020. Earlier application is permitted. If an entity applies those amendments for an earlier period, it shall disclose that fact. An entity shall apply those amendments when it applies the amendments to the definition of material in paragraph 7 of AASB 101 and paragraphs 5 and 6 of AASB 108.

Withdrawal of IAS 10 (revised 1999)

- 24 [Deleted by the AASB]

Commencement of the legislative instrument

- Aus24.1 For legal purposes, this legislative instrument commences on 31 December 2017.

Withdrawal of AASB pronouncements

- Aus24.2 This Standard repeals AASB 110 *Events after the Reporting Period* issued in July 2004. Despite the repeal, after the time this Standard starts to apply under section 334 of the Corporations Act (either generally or in relation to an individual entity), the repealed Standard continues to apply in relation to any period ending before that time as if the repeal had not occurred.

[Note: When this Standard applies under section 334 of the Corporations Act (either generally or in relation to an individual entity), it supersedes the application of the repealed Standard.]

Appendix A

Australian reduced disclosure requirements

This appendix is an integral part of the Standard.

- AusA1** **The following do not apply to entities preparing general purpose financial statements under Australian Accounting Standards – Reduced Disclosure Requirements:**
- (a)** **paragraphs 13, 19 and 20; and**
 - (b)** **in paragraph 22(a), the text “(AASB 3 ... in such cases)”.**
- Entities applying Australian Accounting Standards – Reduced Disclosure Requirements may elect to comply with some or all of these excluded requirements.**
- AusA2** **The requirements that do not apply to entities preparing general purpose financial statements under Australian Accounting Standards – Reduced Disclosure Requirements are also identified in this Standard by shading of the relevant text.**

Compilation details

Accounting Standard AASB 110 *Events after the Reporting Period*

Compilation details are not part of AASB 110.

This compiled Standard applies to annual periods beginning on or after 1 January 2020. It takes into account amendments up to and including 21 May 2019 and was prepared on 2 March 2020 by the staff of the Australian Accounting Standards Board (AASB).

This compilation is not a separate Accounting Standard made by the AASB. Instead, it is a representation of AASB 110 (August 2015) as amended by other Accounting Standards, which are listed in the Table below.

Table of Standards

Standard	Date made	FRL identifier	Commence- ment date	Effective date (<i>annual periods</i> ... <i>on or after</i> ...)	Application, saving or transitional provisions
AASB 110	7 Aug 2015	F2015L01553	31 Dec 2017	(<i>beginning</i>) 1 Jan 2018	see (a) below
AASB 2017-5	12 Dec 2017	F2018L00067	31 Dec 2017	(<i>beginning</i>) 1 Jan 2018	see (b) below
AASB 2018-7	18 Dec 2018	F2019L00021	31 Dec 2019	(<i>beginning</i>) 1 Jan 2020	see (c) below
AASB 2019-1	21 May 2019	F2019L00966	31 Dec 2019	(<i>beginning</i>) 1 Jan 2020	see (c) below

- (a) Entities may elect to apply this Standard to annual periods beginning after 24 July 2014 but before 1 January 2018.
- (b) Entities may elect to apply this Standard to annual periods beginning before 1 January 2018.
- (a) Entities may elect to apply this Standard to annual periods beginning before 1 January 2020.

Table of amendments

Paragraph affected	How affected	By ... [paragraph/page]
AusCF1	added	AASB 2019-1 [page 19]
9	amended	AASB 2017-5 [24]
21	amended	AASB 2018-7 [page 8]
23C	added	AASB 2018-7 [page 8]

Deleted IAS 10 text

Deleted IAS 10 text is not part of AASB 110.

- 23A IFRS 13, issued in May 2011, amended paragraph 11. An entity shall apply that amendment when it applies IFRS 13.
- 24 This Standard supersedes IAS 10 *Events After the Balance Sheet Date* (revised in 1999).