

IPSAS 14—EVENTS AFTER THE REPORTING DATE

Acknowledgment

This International Public Sector Accounting Standard is drawn primarily from International Accounting Standard (IAS) 10 (revised 1999), “Events After the Balance Sheet Date” published by the International Accounting Standards Committee (IASC). The International Accounting Standards Board (IASB) and the International Accounting Standards Committee Foundation (IASCF) were established in 2001 to replace IASC. The International Accounting Standards (IASs) issued by IASC remain in force until they are amended or withdrawn by IASB. Extracts from IAS 10 are reproduced in this publication of the Public Sector Committee of the International Federation of Accountants with the permission of IASB.

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The standards, which have been set in bold type, should be read in the context of the commentary paragraphs in this Standard, which are in plain type, and in the context of the “Preface to International Public Sector Accounting Standards.” International Public Sector Accounting Standards are not intended to apply to immaterial items.

Objective

The objective of this Standard is to prescribe:

- (a) When an entity should adjust its financial statements for events after the reporting date; and
- (b) The disclosures that an entity should give about the date when the financial statements were authorized for issue and about events after the reporting date.

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

Scope

1. **An entity which prepares and presents financial statements under the accrual basis of accounting should apply this Standard in the accounting for, and disclosure of, events after the reporting date.**
2. **This Standard applies to all public sector entities other than Government Business Enterprises.**
3. Government Business Enterprises (GBEs) are required to comply with International Accounting Standards (IASs) issued by the International Accounting Standards Committee. The Public Sector Committee’s Guideline No. 1, “Financial Reporting by Government Business Enterprises” notes that IASs are relevant to all business enterprises, regardless of whether they are in the private or public sector. Accordingly, Guideline No. 1 recommends that GBEs should present financial statements that conform, in all material respects, to IASs.

Definitions

4. **The following terms are used in this Standard with the meanings specified:**

Events after the reporting date are those events, both favorable and unfavorable, that occur between the reporting date and the date when the financial statements are authorized for issue. Two types of events can be identified:

- (a) Those that provide evidence of conditions that existed at the reporting date (**adjusting events after the reporting date**); and
- (b) Those that are indicative of conditions that arose after the reporting date (**non-adjusting events after the reporting date**).

Reporting date means the date of the last day of the reporting period to which the financial statements relate.

Terms defined in other International Public Sector Accounting Standards are used in this Standard with the same meaning as in those other Standards, and are reproduced in the Glossary of Defined Terms published separately.

Authorizing the Financial Statements for Issue

5. In order to determine which events satisfy the definition of events after the reporting date, it is necessary to identify both the reporting date and the date on which the financial statements are authorized for issue. The reporting date is the last day of the reporting period to which the financial statements relate. The date of authorization for issue is the date on which the financial statements have received approval from the individual or body with the authority to finalize those statements for issue. The audit opinion is provided on those finalized financial statements. Events after the reporting date are all events, both favorable and unfavorable, that occur between the reporting date and the date when the financial statements are authorized for issue, even if those events occur after the publication of an announcement of the net surplus/deficit, the authorization of the financial statements of a controlled entity, or publication of other selected information relating to the financial statements.
6. The process involved in preparing and authorizing the financial statements for issue may vary for different types of entities within and across jurisdictions. It can depend upon the nature of the entity, the governing body structure, the statutory requirements relating to that entity and the procedures followed in preparing and finalizing the financial statements. Responsibility for authorization of financial statements of individual government agencies may rest with the head of the central finance agency (or the senior finance official/accounting officer such as the controller or accountant-general). Responsibility for authorization of consolidated financial statements of the government as a whole may rest jointly with the head of the central finance agency (or the senior finance official such as the controller or accountant-general) and the finance minister (or equivalent).
7. In some cases, as the final step in the authorization process, an entity is required to submit its financial statements to another body (for example, a

legislative body such as Parliament or a local council). This body may have the power to require changes to the audited financial statements. In other cases, the submission of statements to the other body may be merely a matter of protocol or process and that other body may not have the power to require changes to the statements. The date of authorization for issue of the financial statements will be determined in the context of the particular jurisdiction.

Recognition and Measurement

8. In the period between the reporting date and the date of authorization for issue, elected government officials may announce a government's intentions in relation to certain matters. Whether or not these announced government intentions would require recognition as adjusting events would depend upon whether they provide more information about the conditions existing at reporting date and whether there is sufficient evidence that they can and will be fulfilled. In most cases, the announcement of government intentions will not lead to the recognition of adjusting events. Instead, they would generally qualify for disclosure as non-adjusting events.

Adjusting Events After the Reporting Date

9. **An entity should adjust the amounts recognized in its financial statements to reflect adjusting events after the reporting date.**
10. The following are examples of adjusting events after the reporting date that require an entity to adjust the amounts recognized in its financial statements, or to recognize items that were not previously recognized:
 - (a) The resolution after the reporting date of a court case which, because it confirms that an entity already had a present obligation at the reporting date, requires the entity to adjust a provision already recognized, or to recognize a provision instead of merely disclosing a contingent liability. Guidance on accounting for provisions and contingent liabilities is found in IPSAS 19, "Provisions, Contingent Liabilities and Contingent Assets;"¹

¹ The Committee has published IPSAS 19, "Provisions, Contingent Liabilities and Contingent Assets" which deals with the application of IAS 37, "Provisions, Contingent Liabilities and Contingent Assets" to the public sector. International Public Sector Accounting Standard (IPSAS) 1, "Presentation of Financial Statements" also includes requirements for the presentation of items in the financial statements and notes to the financial statements, including provisions, contingent liabilities and contingent assets.

- (b) The receipt of information after the reporting date indicating that an asset was impaired² at the reporting date, or that the amount of a previously recognized impairment loss for that asset needs to be adjusted. For example:
 - (i) The bankruptcy of a debtor which occurs after the reporting date usually confirms that a loss already existed at the reporting date on a receivable account and that the entity needs to adjust the carrying amount of the receivable account; and
 - (ii) The sale of inventories after the reporting date may give evidence about their net realizable value at the reporting date;
- (c) The determination after the reporting date of the cost of assets purchased, or the proceeds from assets sold, before the reporting date;
- (d) The determination after the reporting date of the amount of revenue collected during the reporting period to be shared with another government under a revenue sharing agreement in place during the reporting period;
- (e) The determination after the reporting date of performance bonus payments to be made to staff if the entity had a present legal or constructive obligation at the reporting date to make such payments as a result of events before that date; and
- (f) The discovery of fraud or errors that show that the financial statements were incorrect.

Non-adjusting Events After the Reporting Date

11. **An entity should not adjust the amounts recognized in its financial statements to reflect non-adjusting events after the reporting date.**
12. The following are examples of non-adjusting events after the reporting date:
 - (a) Where an entity has adopted a policy of regularly revaluing property to fair value, a decline in the fair value of property between the reporting date and the date when the financial statements are authorized for issue. The fall in fair value does not normally relate to the condition of the property at the reporting date, but reflects circumstances that have arisen in the following period. Therefore, despite its policy of regularly revaluing, an entity would not adjust

² The Public Sector Committee is currently developing proposals for the identification and measurement of impairment within the public sector. Refer to “Exposure Draft 23—Impairment of Assets” (Issued September 2003).

the amounts recognized in its financial statements for the properties. Similarly, the entity does not update the amounts disclosed for the property as at the reporting date, although it may need to give additional disclosure under paragraph 29; and

- (b) Where an entity charged with operating particular community service programs decides after the reporting date, but before the financial statements are authorized, to provide/distribute additional benefits directly or indirectly to participants in those programs. The entity would not adjust the expenses recognized in its financial statements in the current reporting period, although the additional benefits may meet the conditions for disclosure as non-adjusting events under paragraph 29.

Dividends/Distributions

- 13. **If dividends or similar distributions are proposed or declared after the reporting date, an entity should not recognize those distributions as a liability at the reporting date.**
- 14. Dividends may arise in the public sector when, for example, a public sector entity controls and consolidates the financial statements of a GBE that has outside ownership interests to whom it pays dividends. In addition, some public sector entities adopt a financial management framework, for example “purchaser provider” models, that require them to pay income distributions to their controlling entity, such as the central government.
- 15. International Public Sector Accounting Standard (IPSAS) 1, “Presentation of Financial Statements” requires an entity to disclose the amount of dividends or distributions to owners that were proposed or declared after the reporting date but before the financial statements were authorized for issue. Dividends and similar distributions do not include a return of capital. IPSAS 1 permits an entity to make this disclosure either:
 - (a) On the face of the statement of financial position as a separate component of net assets/equity; or
 - (b) In the notes to the financial statements.

Going Concern

- 16. The determination of whether the going concern assumption is appropriate needs to be considered by each entity. However, the assessment of going concern is likely to be of more relevance for individual entities than for a government as a whole. For example, an individual government agency may not be a going concern because the government of which it forms part has decided to transfer all its activities to another government agency.

However, this restructuring has no impact upon the assessment of going concern for the government itself.

17. **An entity should not prepare its financial statements on a going concern basis if those responsible for the preparation of the financial statements or the governing body determine after the reporting date either that there is an intention to liquidate the entity or to cease operating, or that there is no realistic alternative but to do so.**
18. In assessing whether the going concern assumption is appropriate for an individual entity, those responsible for the preparation of the financial statements, and/or the governing body, need to consider a wide range of factors. Those factors will include the current and expected performance of the entity, any announced and potential restructuring of organizational units, the likelihood of continued government funding and, if necessary, potential sources of replacement funding.
19. In the case of entities whose operations are substantially budget-funded, going concern issues generally only arise if the government announces its intention to cease funding the entity.
20. Some agencies, although not GBEs, may be required to be fully or substantially self-funding, and to recover the cost of goods and services from users. For any such entity, deterioration in operating results and financial position after the reporting date may indicate a need to consider whether the going concern assumption is still appropriate.
21. If the going concern assumption is no longer appropriate, this Standard requires an entity to reflect this in its financial statements. The impact of such a change will depend upon the particular circumstances of the entity, for example, whether operations are to be transferred to another government entity, sold or liquidated. Judgment is required in determining whether a change in the carrying value of assets and liabilities is required.
22. When the going concern assumption is no longer appropriate, it is also necessary to consider whether the change in circumstances leads to the creation of additional liabilities or triggers clauses in debt contracts leading to the reclassification of certain debts as current liabilities.
23. IPSAS 1 requires certain disclosures if:
 - (a) The financial statements are not prepared on a going concern basis. Ipsas 1 requires that when the financial statements are not prepared on a going concern basis, this must be disclosed, together with the

basis on which the financial statements are prepared and the reason why the entity is not considered to be a going concern; or

- (b) Those responsible for the preparation of the financial statements are 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 date. IPSAS 1 requires such uncertainties to be disclosed.

Restructuring

24. Where a restructuring announced after the reporting date meets the definition of a non-adjustable event, the appropriate disclosures should be made in accordance with this Standard. Guidance on the recognition of provisions associated with restructuring is found in Accounting Standards on "Provisions, Contingent Liabilities and Contingent Assets." Simply because a restructuring involves the disposal of a component of an entity this does not in itself bring into question the entity's ability to continue as a going concern. However, where a restructuring announced after the reporting date means that an entity is no longer a going concern, the nature and amount of assets and liabilities recognized may change.

Disclosure

Disclosure of Date of Authorization for Issue

25. **An entity should disclose the date when the financial statements were authorized for issue and who gave that authorization. If another body has the power to amend the financial statements after issuance, the entity should disclose that fact.**
26. It is important for users to know when the financial statements were authorized for issue, as the financial statements do not reflect events after this date. It is also important for users to know of the rare circumstances in which any persons or organizations have the authority to amend the financial statements after issuance. Examples of individuals or bodies that may have the power to amend the financial statements after issuance are Ministers, the government of which the entity forms part, Parliament or an elected body of representatives. If changes are made, the amended financial statements are a new set of financial statements.

Updating Disclosure about Conditions at the Reporting Date

27. **If an entity receives information after the reporting date, but before the financial statements are authorized for issue, about conditions that existed at the reporting date, the entity should update disclosures that relate to these conditions, in the light of the new information.**

28. In some cases, an entity needs to update the disclosures in its financial statements to reflect information received after the reporting date but before the financial statements are authorized for issue, even when the information does not affect the amounts that the entity recognizes in its financial statements. One example of the need to update disclosures is when evidence becomes available after the reporting date about a contingent liability that existed at the reporting date. In addition to considering whether it should now recognize a provision an entity updates its disclosures about the contingent liability in the light of that evidence.

Disclosure of Non-adjusting Events After the Reporting Date

29. **Where non-adjusting events after the reporting date are of such importance that non-disclosure would affect the ability of the users of the financial statements to make proper evaluations and decisions, an entity should disclose the following information for each significant category of non-adjusting event after the reporting date:**
- (a) **The nature of the event; and**
 - (b) **An estimate of its financial effect, or a statement that such an estimate cannot be made.**
30. The following are examples of non-adjusting events after the reporting date that may be of such importance that non-disclosure would affect the ability of the users of the financial statements to make proper evaluations and decisions:
- (a) An unusually large decline in the value of property carried at fair value, where that decline is unrelated to the condition of the property at reporting date, but is due to circumstances that have arisen since reporting date;
 - (b) The entity decides after reporting date, to provide/distribute substantial additional benefits in the future directly or indirectly to participants in community service programs that it operates, and those additional benefits have a major impact on the entity;
 - (c) An acquisition or disposal of a major controlled entity or the outsourcing of all or substantially all of the activities currently undertaken by an entity after the reporting date;
 - (d) Announcing a plan to discontinue an operation or major program, disposing of assets or settling liabilities attributable to a discontinuing operation³ or major program, or entering into binding

³ The Public Sector Committee has not yet addressed the issue of discontinuing operations, which was previously included within IAS 8 (revised 1993), "Net Profit/Loss for the Period, Fundamental

agreements to sell such assets or settle such liabilities. International Accounting Standard (IAS) 35, “Discontinuing Operations” provides guidance on the treatment and disclosure of discontinuing operations;

- (e) Major purchases and disposals of assets;
- (f) The destruction of a major building by a fire after the reporting date;
- (g) Announcing, or commencing the implementation of, a major restructuring (guidance on accounting for provisions associated with restructuring is found in accounting standards on provisions, contingent liabilities and contingent assets);
- (h) The introduction of legislation to forgive loans made to entities or individuals as part of a program;
- (i) Abnormally large changes after the reporting date in asset prices or foreign exchange rates;
- (j) In the case of entities that are liable for income tax or income tax equivalents, changes in tax rates or tax laws enacted or announced after the reporting date that have a significant effect on current and deferred tax assets and liabilities IAS 12, “Income Taxes” contains guidance on accounting for income taxes);
- (k) Entering into significant commitments or contingent liabilities, for example, by issuing significant guarantees after the reporting date; and
- (l) Commencing major litigation arising solely out of events that occurred after the reporting date.

Errors and Changes in Accounting Policies” and which is now the subject of a separate Standard, IAS 35 (1998), “Discontinuing Operations.” Consistent with the definition in IAS 35, the term discontinuing operation as used in this Standard refers to a component of an entity:

- (a) That the entity, pursuant to a single plan, is:
 - (i) Disposing of substantially in its entirety, such as by selling the component in a single transaction, by demerger or spin-off of ownership of the component to the entity’s owners;
 - (ii) Disposing of piecemeal, such as by selling off the component’s assets and settling its liabilities individually; or
 - (iii) Terminating through abandonment;
- (b) That represents a separate major activity/line of business or geographical area of operations; and
- (c) That can be distinguished operationally and for financial reporting purposes.

Effective Date

31. **This International Public Sector Accounting Standard becomes effective for annual financial statements covering periods beginning on or after January 1, 2003. Earlier application is encouraged.**
32. When an entity adopts the accrual basis of accounting, as defined by International Public Sector Accounting Standards, for financial reporting purposes, subsequent to this effective date, this Standard applies to the entity's annual financial statements covering periods beginning on or after the date of adoption.

Comparison with IAS 10

International Public Sector Accounting Standard (IPSAS) 14, “Events After the Reporting Date” is drawn primarily from International Accounting Standard (IAS) 10 (revised 1999), “Events After the Balance Sheet Date.” The main differences between IPSAS 14 and IAS 10 are as follows:

- IPSAS 14 notes that where the going concern assumption is no longer appropriate, judgment is required in determining the impact of this change on the carrying value of assets and liabilities recognized in the financial statements (paragraph 21).
- IPSAS 14 contains additional commentary on determining the date of authorization for issue (paragraphs 5, 6 and 7).
- Commentary additional to that in IAS 10 has been included in IPSAS 14 to clarify the applicability of the standards to accounting by public sector entities.
- IPSAS 14 uses different terminology, in certain instances, from IAS 10. The most significant examples are the use of the terms “entity,” “revenue,” “statement of financial position,” “net assets/equity” and “reporting date” in IPSAS 14. The equivalent terms in IAS 10 are “enterprise,” “income,” “balance sheet,” “equity” and “balance sheet date.”
- IPSAS 14 contains a definition of “reporting date,” IAS 10 does not contain a definition of “balance sheet date.”