Group Ind AS Accounting Manual

ABC

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# **1.6. Events after Reporting Period**

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| **Description:** | **Events after Reporting Period** |
| **Reference:** | **Ind AS 10/ IAS 10** |
| **Purpose:** | **To ensure proper accounting policy for accounting and disclosure of events after the activity** |

## **1.6.1. Objective and scope:**

The objective of this accounting manual is to explain the requirements of Ind AS and highlight specific differences between Ind AS and IFRS, wherever applicable. This manual describes the timing for adjusting the financial statements and disclosure for the events after the reporting period.

## **1.6.2. Definitions:**

Events after the reporting period are –

* **all events**, favourable or unfavourable, **and**
* that occur **between the end of reporting period** and **the date when the financial statements are approved** by Board of Directors or any other approving authority.

*Financial statements are approved for issue on the date of approval by the Board of Directors & not the date when the same is approved by shareholders.*

There are two types of events:

* Those that provide evidence of conditions that existed as on Balance Sheet date (Adjusting Events)
* Those that provide an indication of condition arising after the Balance Sheet date (Non-adjusting Events)

The Components should ensure that all events from the date of the financial statements up to the date of sending the group reporting pack are considered, as appropriate, in accordance with the guidelines below. In addition, any events after releasing of the group reporting pack should also be immediately brought to the attention of Corporate Finance Team.

## **1.6.3. Recognition and measurement:**

### ***Adjusting events after the reporting period***

Amounts shall be adjusted or recognised in financial statements to reflect adjusting events after the reporting period.

**Examples:**

* + - Settlement of court case after reporting period that confirms the present obligation as on reporting date.
    - Information on bankruptcy of customer.
    - Discovery of fraud or error that show that the financial statements are incorrect.

### ***Non-adjusting events after the reporting period***

Amounts shall not be adjusted or recognised in financial statements to reflect non-adjusting events after the reporting period. Non-adjusting events shall not be adjusted or recognised in the financial statements. All material non-adjusting events shall be disclosed in the financial statements.

### ***Dividends***

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 the balance sheet date.

Such dividends are disclosed in the notes in accordance with Ind AS 1 Presentation of Financial Statements.

Applicability of Ind AS 10: Events after Reporting Period

N

Y

N

N

Y

Y

Y

## **1.6.4. Disclosure:**

The financial statements shall disclose the date when they were approved for issue and who gave that approval. If the owners or others have the power to amend the financial statements after issue, the fact shall be appropriately disclosed.

If any information is received after the reporting period about conditions that existed at the end of the reporting period, financial statements shall be updated with disclosures that relate to those conditions, in the light of the new information.

Sometimes even when the event does not affect financial statements but affects disclosure, the same should be changed.

**Example:** Contingent liability

In case of any such events, it shall be discussed with Corporate Finance Team before making any changes to the financial statements.

### ***Non-adjusting events after the reporting period***

If non-adjusting events after the reporting period are material, non-disclosure could influence the economic decisions that users make based on the financial statements. Accordingly, they should be disclosed.

Following shall be disclosed for each material category of non-adjusting event –

* + the nature of the event; and
  + an estimate of its financial effect or a statement that such an estimate cannot be made.

**Examples:**

* + - A major business combination as per Ind AS 103 or disposing of a major subsidiary
    - Destruction of major production plant by fire.
    - Major purchases of assets, classification of assets held for sale as per Ind AS 105 (Refer Accounting Manual “*Ind AS 105: Non-current Assets Held for Sale and Discontinued Operations”*).
    - Entering into significant commitments or contingent liabilities, for example, by issuing significant guarantees.

*Note: In case of decline in fair value of investments after end of reporting period but before approval of financial statements, the same should not be adjusted in financial statements but an appropriate disclosure should be given. The appropriateness and requirement of disclosures should be discussed with Corporate Finance Team.*

## **1.6.5. GAAP differences between Ind AS and IFRS:**

In respect of Events after the reporting period, consequent to changes made in Ind AS 1, it has been provided in the definition of ‘Events after the reporting period’ that in case of breach of a material provision of a long-term loan arrangement on or before the end of the reporting period with the effect that the liability becomes payable on demand on the reporting date, if the lender, before the approval of the financial statements for issue, agrees to waive the breach, it shall be considered as an adjusting event.

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