

SECTION PS 2400

subsequent events

- .01 This Section establishes standards on how to account for and disclose events occurring between the financial statement date and the date of their completion. Financial statements 1 are prepared to reflect a public sector entity's financial position at a particular date and changes in financial position for a period ended on that date. However, events occurring after the financial statement date may indicate a need to adjust items or to make specific disclosures in those statements. Therefore, in preparing financial statements, the implications and financial effects of subsequent events would be considered. [Former paragraph PS 2400.01, amended by 2022-2023 remaining annual improvements, retained in Archived Pronouncements.]
- .02 The period during which subsequent events are considered will depend on the public sector entity's managerial structure and procedures followed in completing the financial statements. The appropriate cut-off point for subsequent events is a matter of judgment taking into account the particular circumstances and reporting requirements. [Former paragraph PS 2400.02, amended by 2022-2023 remaining annual improvements, retained in Archived Pronouncements.]
- .03 In general, there are two types of subsequent events:
- (a) those which provide further evidence of conditions which existed at the financial statement date, and
 - (b) those which are indicative of conditions which arose subsequent to the financial statement date.
- The extent to which, and the manner in which, the effect of a subsequent event is reflected in the financial statements will depend on its type.
- .04 Elected government officials may announce government intentions in the period after the financial statement date and before completion of the financial statements. In order to be treated as subsequent events according to the provisions of this Section and, therefore, reported or disclosed in the public sector entity's financial statements, such intentions need to be supported by sufficient evidence that they can and will be fulfilled. [Former paragraph PS 2400.04, amended by 2022-2023 remaining annual improvements, retained in Archived Pronouncements.]
- .05 Announced government intentions in the period after the financial statement date and before the completion of the financial statements require careful evaluation to determine whether there is a clear relationship to conditions existing at the financial statement date that affect the estimates involved in the preparation of the financial statements, as described in paragraph PS 2400.09. Such intentions would not normally require the adjustment of the financial statements. Instead, they would generally qualify for disclosure as a subsequent event if supported by sufficient evidence that they can and will be fulfilled.
- .06 For a federal, provincial or territorial government, evidence to support such an announced government intention would be the enactment of new legislation, or the exercise of an authority under existing legislation in the period after the financial statement date and before the completion of the financial statements.
- .07 For local governments, evidence to support such an announced government intention would be a council resolution or by-law, new provincial legislation or the exercise of an authority under existing provincial legislation in the period after the financial statement date and before the completion of the financial statements.

ACCOUNTING TREATMENT

Adjustment to financial statements

- .08 Subsequent events may provide additional information relating to items included in the financial statements and may reveal conditions existing at the financial statement date that affect the estimates involved in the preparation of financial statements. All such information that becomes available prior to completion of the financial statements would be used in evaluating the estimates made and the financial statements would be adjusted where necessary. For example, the restructuring of the terms of the loans receivable in a significant government lending program, subsequent to the date of the financial statements, may be indicative of the underlying financial situation of the program and its debtors at the date of the financial statements. If the provision for those loans were inadequate, adjustment of the financial statements would be required.
- .09 *Financial statements should be adjusted when events occurring between the date of the financial statements and the date of their completion provide sufficient, additional evidence relating to conditions that existed at the date of the financial statements.* [MARCH 1997]
- .09A Financial statements are complete when:
- (a) a complete set of financial statements, including all required note disclosures, has been prepared (see FINANCIAL STATEMENT PRESENTATION, Section PS 1202) [Former paragraph PS 2400.09A(a),

amended by FINANCIAL STATEMENT PRESENTATION, Section PS 1202, retained in Archived Pronouncements.];

- (b) all final adjusting journal entries have been reflected in the financial statements;
- (c) no changes to the financial statements are planned or expected; and
- (d) financial statements meeting the above requirements have been approved in accordance with the public sector entity's process to finalize its financial statements. [Former paragraph PS 2400.9A(d), amended by 2022-2023 remaining annual improvements, retained in Archived Pronouncements.]

Disclosure in financial statements

- .10 Adjustment of the financial statements for subsequent events is not appropriate if such events do not relate to conditions existing at the financial statement date. To reflect the effect of such events would not be consistent with the concept that a statement of financial position represents the financial position of a public sector entity at the financial statement date. [Former paragraph PS 2400.10, amended by 2022-2023 remaining annual improvements, retained in Archived Pronouncements.]
- .11 Some events occurring after the financial statement date may have a significant effect, in a subsequent period, on the assets and liabilities or future operations of a public sector entity and disclosure could be important to users in their interpretation of the financial statements. [Former paragraph PS 2400.11, amended by 2022-2023 remaining annual improvements, retained in Archived Pronouncements.]
- .12 Examples of subsequent events which would not require adjustment of the financial statements but, if significant in their effect and unusual in their nature, may require disclosure in notes to the financial statements include:
 - (a) an event such as a fire or flood or other natural disaster where the government is obligated to provide relief;
 - (b) a decline in the market value of investments;
 - (c) commencement of litigation where the cause of action arose subsequent to the date of the financial statements;
 - (d) changes in foreign currency exchange rates;
 - (e) the issue of long-term debt;
 - (f) significant restructuring of the public service;
 - (g) significant restructuring of the legislation regulating local governments.

For some public sector entities, however, it may not be unusual to issue long-term debt in the period between the financial statement date and the date of completion of the financial statements, or for there to be significant changes in currency exchange rates in that same period. Judgment should be applied in assessing what is considered "unusual" in nature for a public sector entity given its size and the nature of its transactions. [Former paragraph PS 2400.12, amended by 2022-2023 remaining annual improvements, retained in Archived Pronouncements.]
- .13 *Financial statements should not be adjusted for, but disclosure should be made of, those events occurring between the date of the financial statements and the date of their completion that do not relate to conditions that existed at the date of the financial statements but:*
 - (a) *cause significant changes to assets or liabilities in the subsequent period; or*
 - (b) *will, or may, have a significant effect on the future operations of the public sector entity.* [MARCH 1997]
[Former paragraph PS 2400.13(b), amended by 2022-2023 remaining annual improvements, retained in Archived Pronouncements.]
- .14 Disclosure of a subsequent event that does not require adjustment of the financial statements would be made by way of a note to the financial statements indicating both the nature of the event and, when practicable, the estimated financial effect.
- .15 *Disclosure of a subsequent event that does not require adjustment of the financial statements should include:*
 - (a) *a description of the nature of the event; and*
 - (b) *an estimate of the financial effect, when practicable, or a statement that such an estimate cannot be made.* [MARCH 1997]

EFFECTIVE DATE AND TRANSITIONAL PROVISIONS

- .16 FINANCIAL STATEMENT PRESENTATION, Section PS 1202, issued in October 2023, amended paragraph PS 2400.09A(a). The amendment is applicable at the same time as Section PS 1202, for fiscal years beginning on or after April 1, 2026. Earlier adoption is permitted if Section PS 1202 is also early adopted. Prior period amounts would need to be restated to conform to the requirements for comparative financial information in Section PS 1202.

Footnotes

1. The term "financial statements" refers to the financial reports published by a public sector entity that report on the financial position and changes in financial position of the reporting entity. Refer to Figure 3.1 in Chapter 3 of the Conceptual Framework, where financial statements are identified as an important type of financial report.

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