

SECTION PS 2400

subsequent events

SUPPLEMENT

This supplement sets out the previous wording of paragraphs that have been amended as a consequence of the 2022-2023 annual improvements.

- .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 7 are prepared to reflect a government'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.
- .02 The period during which subsequent events are considered will depend on the government'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.
- .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 government's financial statements, such intentions need to be supported by sufficient evidence that they can and will be fulfilled.
- .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 1201);
 - (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 government's process to finalize its financial statements.

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 government at the financial statement date.
- .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 government and disclosure could be important to users in their interpretation of the financial statements.
- .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 governments, 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 government given its size and the nature of its transactions.

- .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 government.* [MARCH 1997]

SUPPLEMENT

This supplement sets out the previous wording of the paragraph that has been amended as a consequence of approving FINANCIAL STATEMENT PRESENTATION, Section PS 1202.

.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 1201);
 - (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 government's process to finalize its financial statements.
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Footnotes

7. The term "financial statements" refers to the summary financial statements published by a government that report on the financial position and changes in financial position of the government reporting entity.

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