

New Zealand Equivalent to International Accounting Standard 10

Events after the Reporting Period (NZ IAS 10)

Issued November 2004 and incorporates amendments up to and including 30 June 2011 other than consequential amendments resulting from early adoption of NZ IFRS 13 *Fair Value Measurement*

This Standard was issued by the Financial Reporting Standards Board of the New Zealand Institute of Chartered Accountants and approved by the Accounting Standards Review Board in November 2004 under the Financial Reporting Act 1993. This Standard is a Regulation for the purpose of the Regulations (Disallowance) Act 1989.

This Standard, on adoption, supersedes Financial Reporting Standard No. 5 *Events After Balance Date* (FRS-5).

The following New Zealand Interpretations refer to NZ IAS 10:

- NZ SIC-7 *Introduction of the Euro*
- NZ IFRIC 17 *Distributions of Non-cash Assets to Owners*

NZ IAS 10

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ACCOUNTING STANDARD 10
EVENTS AFTER THE REPORTING PERIOD (NZ IAS 10)**

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New Zealand Equivalent to International Accounting Standard 10 *Events after the Reporting Period* (NZ IAS 10)[†] is set out in paragraphs 1–24 and the Appendix. NZ IAS 10 is based on International Accounting Standard 10 *Events after the Reporting Period* (IAS 10) (2003) initially issued by the International Accounting Standards Committee (IASC) and subsequently revised by the International Accounting Standards Board (IASB). All the paragraphs have equal authority but retain the IASC format of the Standard when it was adopted by the IASB. NZ IAS 10 should be read in the context of its objective and the IASB’s Basis for Conclusions on IAS 10 and the New Zealand Equivalent to the IASB *Conceptual Framework for Financial Reporting* (NZ Framework). NZ IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* provides a basis for selecting and applying accounting policies in the absence of explicit guidance.

Any additional material is shown with grey shading. The paragraphs are denoted with “NZ” and identify the types of entities to which the paragraphs apply.

This Standard uses the terminology adopted in International Financial Reporting Standards (IFRSs) to describe the financial statements and other elements. NZ IAS 1 *Presentation of Financial Statements* (as revised in 2007) paragraph 5 explains that entities other than profit-oriented entities seeking to apply the Standard may need to amend the descriptions used for particular line items in the financial statements and for the financial statements themselves. For example, profit/loss may be referred to as surplus/deficit and capital or share capital may be referred to as equity.

[†] In September 2007 the IASB amended the title of IAS 10 from *Events after the Balance Sheet Date to Events after the Reporting Period* as a consequence of the revision of IAS 1 *Presentation of Financial Statements* in 2007.

HISTORY OF AMENDMENTS

Table of Pronouncements – NZ IAS 10 *Events after the Reporting Period*

This table lists the pronouncements establishing and substantially amending NZ IAS 10. The table is based on amendments approved as at 30 June 2011 other than consequential amendments resulting from early adoption of NZ IFRS 13 *Fair Value Measurement*.

Pronouncements	Date approved (ASRB approval)	Early operative date	Effective date (annual reporting periods... on or after ...)
NZ IAS 10 <i>Events after the Balance Sheet Date</i>	Nov 2004 (Approval 5)	1 Jan 2005	1 Jan 2007
<i>Framework for Differential Reporting for Entities Applying the New Zealand Equivalents to IFRSs Financial Reporting Standards Reporting Regime (Framework for Differential Reporting)</i>	Jun 2005 (Approval 62)	1 Jan 2005	1 Jan 2007
NZ IAS 1 <i>Presentation of Financial Statements</i> (revised 2007)	Nov 2007 (Approval 94)	Early application permitted	1 Jan 2009
<i>Improvements to NZ IFRSs</i>	June 2008 (Approval 102)	Early application permitted	1 Jan 2009
NZ IFRIC 17 <i>Distribution of Non-cash Assets to Owners</i>	Dec 2008 (Approval 112)	Early application permitted	1 July 2009
Minor Amendments to NZ IFRSs	July 2010 (Approval 132)	Immediate	Immediate

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Table of Amended Paragraphs in NZ IAS 10		
Paragraph affected	How affected	By ... [date]
Title	Amended	NZ IAS 1 [Nov 2007]
Paragraph 13	Amended	NZ IFRIC 17 [Dec 2008]
Paragraph 13	Amended	<i>Improvements to NZ IFRSs</i> [June 2008]
Paragraph 21	Amended	NZ IAS 1 [Nov 2007]

Introduction to NZ IAS 10

The Standard:

- (a) prescribes the circumstances in which adjustments for events after the reporting period are required;
- (b) prescribes disclosures regarding the date of authorisation for issue and events after the reporting period; and
- (c) prohibits use of the going concern basis if events after the reporting period indicate that the going concern assumption is not appropriate.

In adopting IAS 10 for application as NZ IAS 10 the following changes have been made. NZ IAS 10:

- (a) defines the term public benefit entities (paragraph NZ 3.1);
- (b) includes an example for public benefit entities illustrating the date of authorisation for a local authority (paragraph NZ 6.1);
- (c) includes additional guidance for public benefit entities on the meaning of dividends (paragraph NZ 12.1); and
- (d) includes additional guidance for public benefit entities on the impact of a change in the basis of accounting (paragraph NZ 15.1).

Profit-oriented entities, other than qualifying entities applying any differential reporting concessions, that comply with NZ IAS 10 will simultaneously be in compliance with IAS 10. Public benefit entities using the “NZ” paragraphs in the Standard that specifically apply to public benefit entities may not simultaneously be in compliance with IAS 10. Whether a public benefit entity will be in compliance with IAS 10 will depend on whether the “NZ” paragraphs provide additional guidance for public benefit entities or contain requirements that are inconsistent with the corresponding IASB Standard and will be applied by the public benefit entity.

Differential Reporting

Qualifying entities must comply with all the provisions in NZ IAS 10.

New Zealand International Accounting Standard 10

***Events after the Reporting Period* (NZ IAS 10)**

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.

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).**

Public Benefit Entities

NZ 3.1 The following term is used in this Standard with the meaning specified:

Public benefit entities are reporting entities whose primary objective is to provide goods or services for community or social benefit and where any equity has been provided with a view to supporting that primary objective rather than for a financial return to equity holders.

- 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).

Public Benefit Entities

Example

NZ 6.1 On 18 October 20X2, the Council of a local authority adopts by resolution its annual report, which includes the financial statements. Within the next month it makes its annual report publicly available.

The financial statements are authorised for issue on 18 October 20X2 (the date Council adopts the annual report).

- 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 NZ IAS 37 *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 NZ IAS 37.

- (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 a loss existed at the end of the reporting period on a trade receivable and that the entity needs to adjust the carrying amount of the trade receivable; 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 NZ IAS 19 *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 market value of investments between the end of the reporting period and the date when the financial statements are authorised for issue. The decline in market 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 NZ IAS 32 *Financial Instruments: Presentation*) after the reporting period, the entity shall not recognise those dividends as a liability at the end of the reporting period.

Public Benefit Entities

NZ 12.1 In respect of public benefit entities, dividends include all distributions to owners. For example, a Crown entity that has a surplus may be directed to pay all or part of the surplus to the Crown.

- 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 NZ IAS 1 *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.

Public Benefit Entities

NZ 15.1 In relation to public benefit entities 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 public benefit entity, sold or liquidated. Judgement is required in determining whether a change in the carrying value of assets and liabilities is required.

- 16 NZ IAS 1 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 NZ IAS 37, 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 influence the economic decisions that users make on the basis of the financial statements. 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 (NZ IFRS 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 NZ IFRS 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;

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- (e) announcing, or commencing the implementation of, a major restructuring (see NZ IAS 37);
- (f) major ordinary share transactions and potential ordinary share transactions after the reporting period (NZ IAS 33 *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 NZ IAS 33);
- (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 NZ IAS 12 *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 This Standard becomes operative for an entity's financial statements that cover annual accounting periods beginning on or after 1 January 2007. Early adoption of this Standard is permitted only when an entity complies with NZ IFRS 1 *First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards* for an annual accounting period beginning on or after 1 January 2005.

Withdrawal of IAS 10 (Revised 1999)

- 24 [Paragraph 24 is not reproduced. The withdrawal of previous IASB pronouncements is not relevant to this Standard.]

Appendix Amendments to other pronouncements

The amendments in this appendix shall be applied for annual periods beginning on or after 1 January 2005. If an entity applies this Standard for an earlier period, these amendments shall be applied for that earlier period.

The amendments contained in this appendix when this Standard was revised in 2003 have been incorporated into the relevant pronouncements published in this volume.

IAS 10