PUBLIC BENEFIT ENTITY INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARD 14 EVENTS AFTER THE REPORTING DATE (PBE IPSAS 14)

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Public Benefit Entity International Public Sector Accounting Standard 14 *Events after the Reporting Date* is set out in paragraphs 1–33.1. All the paragraphs have equal authority. PBE IPSAS 14 should be read in the context of its objective, the Basis for Conclusions, and Standard XRB A1 *Accounting Standards Framework*. PBE IPSAS 3 *Accounting Policies, Changes in Accounting Estimates and Errors* provides a basis for selecting and applying accounting policies in the absence of explicit guidance.

Objective

1. 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 authorised 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

2. **An entity that prepares and presents financial statements shall apply this Standard in the accounting for, and disclosure of, events after the reporting date.**

3. [Not used.]

3.1 **This Standard applies to public sector public benefit entities in Tier 1 and public sector public benefit entities that are eligible for and elect to apply Tier 2 PBE Standards.**

3.2 **A Tier 2 entity is not required to comply with the disclosure requirements in this Standard denoted with an asterisk (*). Where a Tier 2 entity elects to apply a disclosure concession it shall comply with any RDR paragraphs associated with that concession.**

4. [Not used.]

Definitions

5. **The following term is used in this Standard with the meaning specified:**

   <u>**Events after the reporting date**</u> **are those events, both favourable and unfavourable, that occur between the reporting date 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 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).**

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

Authorising the Financial Statements for Issue

6. 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 authorised for issue. The reporting date is the last day of the reporting period to which the financial statements relate. The date of authorisation for issue is the date on which the financial statements have received approval from the individual or body with the authority to finalise those statements for issue. The audit opinion is provided on those finalised financial statements. Events after the reporting date are all events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue, even if those events occur after (a) the publication of an announcement of the surplus or deficit, (b) the authorisation of the financial statements of a controlled entity, or (c) publication of other selected information relating to the financial statements.

7. The process involved in preparing and authorising 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 finalising the financial statements. Responsibility for authorisation 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 authorisation 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).

8. In some cases, as the final step in the authorisation process, a public sector 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 authorisation for issue of the financial statements will be determined in the context of the particular jurisdiction.

Recognition and Measurement

9. In the period between the reporting date and the date of authorisation 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 (a) whether they provide more information about the conditions existing at reporting date, and (b) 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

10. **An entity shall adjust the amounts recognised in its financial statements to reflect adjusting events after the reporting date.**

11. The following are examples of adjusting events after the reporting date 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 date of a court case that confirms that the entity had a present obligation at the reporting date. The entity adjusts any previously recognised provision related to this court case in accordance with PBE IPSAS 19 *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 24 in PBE IPSAS 19.

    (b) The receipt of information after the reporting date indicating that an asset was impaired at the reporting date, or that the amount of a previously recognised impairment loss for that asset needs to be adjusted. For example:

        (i) The bankruptcy of a debtor that 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 realisable 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 entity 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

12. **An entity shall not adjust the amounts recognised in its financial statements to reflect non-adjusting events after the reporting date.**

13. 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 authorised 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 the amounts recognised 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 authorised, to provide/distribute additional benefits directly or indirectly to participants in those programs. The entity would not adjust the expenses recognised 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 or Similar Distributions

14. **If an entity declares dividends or similar distributions after the reporting date, the entity shall not recognise those distributions as a liability at the reporting date.**

15. Dividends may arise when, for example, a public benefit entity controls and consolidates the financial statements of an entity that has outside ownership interests to whom that entity pays dividends. In addition, some 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.

*16. If dividends or similar distributions to owners are declared (i.e., the dividends or similar distributions are appropriately authorised and no longer at the discretion of the entity) after the reporting date but before the financial statements are authorised for issue, the dividends or similar distributions are not recognised as a liability at the reporting date because no obligation exists at that time. Such dividends or similar distributions are disclosed in the notes in accordance with PBE IPSAS 1 *Presentation of Financial Statements*. Dividends and similar distributions do not include a return of capital.

Going Concern

17. 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.

18. **An entity shall 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 (a) that there is an intention to liquidate the entity or to cease operating, or (b) that there is no realistic alternative but to do so.**

19. 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 organisational units, the likelihood of continued funding and, if necessary, potential sources of replacement funding.

20. In the case of entities whose operations are substantially funded from one source, going concern issues generally only arise if that source announces its intention to cease funding the entity.

21. Some entities 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.

22. 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 entity, sold, or liquidated.

Judgement is required in determining whether a change in the carrying value of assets and liabilities is required.

23. 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.

24. PBE IPSAS 1 requires certain disclosures if:

    (a) The financial statements are not prepared on a going concern basis. PBE 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. PBE IPSAS 1 requires such uncertainties to be disclosed.

Restructuring

25. Where a restructuring announced after the reporting date meets the definition of a non-adjusting event, the appropriate disclosures are made in accordance with this Standard. Guidance on the recognition of provisions associated with restructuring is found in PBE IPSAS 19. 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 recognised may change.

Disclosure

Disclosure of Date of Authorisation for Issue

26. **An entity shall disclose the date when the financial statements were authorised for issue and who gave that authorisation. If another body has the power to amend the financial statements after issuance, the entity shall disclose that fact.**

27. It is important for users to know when the financial statements were authorised 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 organisations have the authority to amend the financial statements after issuance. If changes are made, the amended financial statements are a new set of financial statements.

Updating Disclosure about Conditions at the Reporting Date

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

29. 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 authorised for issue, even when the information does not affect the amounts that the entity recognises 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 recognise 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

30. **If non-adjusting events after the reporting date are material, non-disclosure could influence the economic decisions of users taken 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 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.**

31. The following are examples of non-adjusting events after the reporting date that would generally result in disclosure:

    (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 the reporting date;

    (b) The entity decides after the 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 discontinued operation or major program, or entering into binding agreements to sell such assets or settle such liabilities (guidance on the treatment and disclosure of discontinued operations can be found in PBE IFRS 5 *Non-current Assets Held for Sale and Discontinued 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 (see PBE IPSAS 19);

    (h) The introduction of legislation or a lender's decision to forgive loans;

    (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 (guidance on accounting for income taxes can be found in PBE IAS 12 *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.

Effective Date

32–33. [Not used.]

33.1 **A public sector public benefit entity shall apply this Standard for annual financial statements covering periods beginning on or after 1 July 2014. Earlier application is not permitted.**

Basis for Conclusions

This Basis for Conclusions accompanies, but is not part of, PBE IPSAS 14.

BC1. The New Zealand Accounting Standards Board (NZASB) has not modified the recognition and measurement requirements in IPSAS 14 *Events After the Reporting Date* for application by Tier 1 and Tier 2 public benefit entities. Where applicable, disclosure concessions have been identified for Tier 2 entities and the language generalised for use by public benefit entities. The NZASB considered that the requirements of IPSAS 14 are appropriate for application by public benefit entities.

Updating Disclosure about Conditions at the Reporting Date

BC2. PBE IPSAS 14 requires entities to update disclosures about conditions that existed at the reporting date if further information about those conditions becomes available before the financial statements are authorised for issue. Although for-profit entities that qualify to apply RDR are not required to present these disclosures, the NZASB retained this disclosure for public benefit entities on the grounds that the Tier 2 public benefit entities have to meet a different standard of public accountability than Tier 2 for-profit entities.

Comparison with IPSAS 14

PBE IPSAS 14 *Events After the Reporting Date* is drawn from IPSAS 14 *Events After the Reporting Date*. There are no significant differences between PBE IPSAS 14 and IPSAS 14.

History of Amendments

PBE IPSAS 14 *Events after the Reporting Date* was issued in May 2013.

This table lists the pronouncements establishing and substantially amending PBE IPSAS 14. The table is based on amendments approved as at 31 May 2013.

Pronouncements	**Date approved**	**Early operative date**	**Effective date (annual financial statements … on or after …)**
PBE IPSAS 14 *Events after the Reporting Date*	May 2013	Early application not permitted	1 July 2014