

# IAS 1: Going Concern

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## Extract – IFRS Discussion Group Report on Meeting – March 4, 2010

IAS 1 *Presentation of Financial Statements* requires management to disclose material uncertainties related to events or conditions that may cast significant doubt upon an entity's ability to continue as a going concern. However, the standard does not require that this disclosure clearly indicate that management has assessed the uncertainties as ones that do cast significant doubt upon the entity's ability to continue as a going concern or why the uncertainties create significant doubt. Furthermore, IAS 1 does not require disclosures about uncertainties relating to going concern to be identified separately from other uncertainties. The members noted that the US Financial Accounting Standards Board (FASB) had recently issued an exposure draft expanding the requirements for disclosure surrounding going concern. The members' attention was drawn to the differences in detail between IAS 1 and the Canadian Auditing Standard 570 *Going Concern* (that is equivalent to the International Standard on Auditing 570). This audit standard requires an auditor to determine whether the financial statements disclose clearly that there is a material uncertainty related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.

The members were advised that reviews of companies' financial statements often revealed only the disclosure of uncertainties, but not whether management thought those uncertainties cast doubt on the entity's ability to continue as a going concern. The members were concerned that the disclosure requirements are effectively specified in an auditing standard. One consequence under the current requirements is that they do not apply to financial statements that are unaudited. Given the concerns observed in the Canadian marketplace and the shortfall in IAS 1 going concern disclosure requirements relative to the recent FASB Exposure Draft, the members recommended that the AcSB request that the IASB consider clarifying and expanding the going concern disclosure requirements in IAS 1 (compared with International Standards on Auditing). The IASB should be urged to amend the IAS 1 requirements quickly in consideration of ongoing economic conditions. A communication to that effect has subsequently been sent to the IASB staff.