AcSB
Accounting Standards Board

COVID-19 Resource

Events after the Reporting Period

What you need to know (April 2020)

What's the issue?

1. Most companies, unless they are an essential service, are likely experiencing a material decline in their operations or are closed. This raises questions about whether they need to adjust their year-end or interim financial statements or provide additional disclosures for events after the reporting period.

What are "events after the reporting period" and what are the effects on the financial statements?

2. "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 authorized for issue. There are two types of events:

   (a) Adjusting events: events which provide evidence of conditions that existed at the end of the reporting period; and

   (b) Non-adjusting events: indicative of conditions that arose after the reporting period (IAS 10.3).

3. When a company encounters an adjusting event after the reporting period, the amounts recognized in the financial statements are adjusted for the effects of the event (IAS 10.8). For non-adjusting events, the amounts recognized in the financial statements remain unchanged (IAS 10.10). However, a company should disclose the nature and estimate of the financial effects of the events or disclose a statement that such an estimate cannot be made (IAS 10.21).

How will this impact my financial statements if my year-end is December 31, 2019?

4. Companies applying IFRS® Standards will need to apply judgment to determine whether COVID-19 and its effects represent an adjusting or non-adjusting event at December 31, 2019. In making this

assessment, companies may consider whether they have significant global operations in the earliest affected areas if those operations were affected at December 31, 2019.

5. If a company concludes that COVID-19 and its effects are a non-adjusting event, financial statement disclosures may include, but are not limited to:
   (a) significant declines in revenue;
   (b) closures of some or all operations;
   (c) uncertainties about recoverability of assets;
   (d) changes in operations;
   (e) significant declines in the value of investments; and/or
   (f) the effects of government financial assistance.
6. Companies should also consider which effects to their business are material. Judgment needs to be applied to determine if non-disclosure could reasonably be expected to influence decisions of a company's users (IAS 10.21).

How will this impact my financial statements if my year-end or interim reporting period is after December 31, 2019?

7. When preparing interim or annual financial statements in accordance with IFRS Standards for periods after December 31, 2019, companies will need to consider whether the financial effects of COVID-19 after the reporting period are adjusting or non-adjusting events.
8. Companies with global operations may consider dates for when the World Health Organization declared a health emergency or a global pandemic. Alternatively, companies with primarily Canadian operations may consider when the areas they operate in declared states of emergency or mandated closures. These dates may help in assessing whether an event is an adjusting or non-adjusting event to determine the appropriate accounting implications.

What if I determine after the reporting period that my entity is no longer a going concern?

9. If a company determines after the reporting period that it is no longer a going concern, it should not prepare its financial statements on a going concern basis (IAS 10.14).
10. Refer to the COVID-19 Resource "Going Concern and Liquidity Risk" for details on how to assess a company's ability to continue as a going concern.

Has the IFRS® Discussion Group talked about this topic?

11. The Group has had one conversation about events after the reporting period. The discussion listed below may be helpful as you think about how COVID-19 affects financial statements:

Meeting Date	Topic	Meeting Report
March 31, 2016	IAS 10: Subsequent Events Relating to Uncertain Tax Positions	View Document

What other resources are available?

12. Do you need more information? The following publication may provide more insights:

Gabriela Kegalj, "How should companies assess COVID-19 events after the reporting date?" KPMG, March 31, 2020.

Extracts from Relevant IFRS Standards

Standard	IFRS Guidance
IAS 10	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*). 8 An entity shall adjust the amounts recognised in its financial statements to reflect 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. 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. 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. 21 If non-adjusting events after the reporting period are material, non-disclosure could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. 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.