PSAB
Public Sector
Accounting Board

Considerations for Subsequent Events Disclosures

Extract, PSA Discussion Group Report on the Public Meeting – November 13, 2025

Section PS 2400, *Subsequent Events*, establishes the framework for identifying and accounting for events that occur between the financial statement date and the date the financial statements are completed. During this period, issues may arise that require consideration as to how they may affect the general-purpose financial statements. In recent years, significant events have occurred during subsequent events periods more often (e.g., changing economic conditions and related government initiatives to respond to these events, geopolitical changes impacting international trading relationships, etc.).

Consequently, public sector entities need to analyze subsequent events to determine whether:

- they provide evidence of conditions existing at the financial statement date, and thus should be considered when recognizing and measuring elements in the financial statements ("adjusting subsequent events"; see paragraph PS 2400.09[6]); or
- they indicate conditions arising subsequent to the financial statement date (see paragraph PS 2400.10[7]) and would be considered for disclosure but not for recognition and measurement ("non-adjustment subsequent events").

In certain instances, the determination may be material, thus adding to the public sector entity's resources that must be allocated to address the issue.

The Group was asked to discuss the following questions relating to subsequent events that have occurred.

Issue 1: Adjusting versus non-adjusting event

The Group was asked to consider the following scenario when discussing whether trading restriction updates made during the subsequent events period would qualify as an adjusting or non-adjusting event:

Near the end of a fiscal period, a foreign government implemented significant international trading restrictions**,** affecting Canadian Public Sector Entity
(PSE) A. The widespread effects are expected to negatively affect both the overall economy and sector-specific entities**.** However, the timing of the trading restrictions has had no significant effect on PSE A at the financial statement reporting date.

At the financial statement date, PSE A assessed that the trading restrictions could have a significant effect on various financial statement line items (e.g.,
other revenues, taxes receivable, etc.) in the subsequent reporting period. Preliminary assessments completed at, or near the financial statement date,

however, have determined that PSE A’s operations for the current fiscal year should not be significantly impacted.

During the subsequent events period, several trading restrictions were removed, while some new trading restrictions were introduced. The situation continues to evolve from week to week. Given the degree to which the situation is evolving, PSE A has been unable to assess the potential overall impact of these trading restrictions at the date of financial statement completion. This is determined to be an unusual event.

The Group was asked to discuss the following views relating to whether the trading restriction updates made during the subsequent events period would qualify as an adjusting or non-adjusting event:

View A – Adjusting event

The trading restriction updates made during the subsequent events period would qualify as an adjusting event for PSE A’s financial statements.

View B – Non-adjusting event

The trading restriction updates made during the subsequent events period would qualify as a non-adjusting event for PSE A’s financial statements.

Summary

Most Group members supported View B, citing that:

- existing information is insufficient to quantify the adjustment;
- trading restrictions are rapidly changing and evolving;
- PSE A determined that no significant impacts exist for the current fiscal year;
- adjusting events require evidence of conditions existing at the financial statement date, which are not present under this scenario; and
- providing disclosure of the trading restrictions may help to satisfy the financial statement user’s needs (i.e., acknowledgement of the situation), without needing to quantify a financial statement adjustment.

Finally, one Group member also acknowledged that recording a financial statement adjustment could have significant downstream implications for PSE A (e.g., credit agency rating impacts, downgrading of debt rating, going concern considerations, etc.).

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Issue 2: Financial statement note disclosures

Applying the same scenario as provided under Issue 1, the Group was asked to consider the following views for determining whether the trading restrictions made during the subsequent events period would qualify for financial statement note disclosure by PSE A.

View A – Yes: Include as financial statement note disclosure

Ongoing uncertainty tied to the trade restrictions implemented by the foreign government is a non-adjusting subsequent event and should be disclosed within the financial statement notes.

View B – No: Do not include as financial statement note disclosure

Instability associated with the ongoing uncertainty tied to the foreign government-implemented trade restrictions does not require additional disclosure.

Summary

Most Group members supported View A, citing that:

- PSE A assessed that the future impact of these trading restrictions could be significant;
- the trading restrictions are a known event that may affect the future decisions, operations and/or the financial statements' usefulness for the users;
- paragraph PS 2400.13(b)[8] supports disclosure when an event "will or may" affect future operations; and
- disclosure enhances transparency for the financial statement users, even when the impact is indeterminable.

A few Group members favoured View B but also suggested including the disclosure in the financial statement discussion and analysis (FSD&A), rather than in the financial statement notes, due to the uncertainty surrounding this evolving situation, and the difficulty in quantifying its overall impact.

The Group noted that it is important to assess the overall materiality of the issue when determining the appropriateness of the issue for disclosure (i.e., whether through the financial statement notes or the FSD&A). The Group also emphasized the importance of exercising professional judgment when determining this.

Finally, a few Group members acknowledged that the level of disclosure required for the same event may differ depending upon the level of government or public sector entity in question (e.g., federal, provincial, or municipal).