

What are Events After the Reporting Period?

Worksheet

Events after the reporting period are favorable or unfavorable events between the reporting date and the date financial statements are authorized for issue; adjusting events provide evidence of conditions that existed at year-end, while non-adjusting events indicate conditions that arose afterward.

Questions

1. A lawsuit that existed at year-end is settled after year-end, confirming the exact liability amount. This is:

- A) A non-adjusting event
- B) An adjusting event
- C) Ignored entirely
- D) A prior period error

2. A factory fire occurring after year-end, with no prior indication of risk, is:

- A) An adjusting event
- B) A non-adjusting event
- C) Recorded as a prior year loss
- D) Ignored

3. Which standard governs events after the reporting period?

- A) IAS 8
- B) IAS 10
- C) IAS 37
- D) IFRS 15

4. Non-adjusting events are:

- A) Adjusted in the financial statements
- B) Ignored completely
- C) Disclosed but not adjusted
- D) Only relevant for interim reports

5. A company's year-end is December 31. On January 15, a customer who owed \$50,000 at December 31 goes bankrupt, confirming the debt is uncollectible. Statements are authorized for issue on February 1. How is this treated?

6. On January 20, a fire completely destroys one of the company's warehouses, which was fine at December 31. Statements are authorized February 1. How is this treated?

7. After year-end but before the statements are authorized, the board declares a dividend based on the year's profits. Should the dividend be recorded as a liability at year-end?

8. Define: What are adjusting events?

9. Define: What are non-adjusting events?

10. Define: Which standard covers events after the reporting period?

Answer Key

1. B) An adjusting event - It confirms a condition (the liability) that existed at year-end, so it's adjusting.
2. B) A non-adjusting event - The fire is a new condition arising after year-end - non-adjusting, disclosure only.
3. B) IAS 10 - IAS 10 specifically addresses events after the reporting period.
4. C) Disclosed but not adjusted - Non-adjusting events are disclosed in the notes if material, but figures are not changed.
5. The customer's financial difficulty existed at December 31 (the debt was already outstanding). The bankruptcy on January 15 merely confirms that condition - this is an adjusting event. The company must write down the receivable/increase the allowance for doubtful accounts in the December 31 financial statements.
6. The fire is a new event; the warehouse was intact at the reporting date. This condition did not exist at year-end - it is a non-adjusting event. The company does not adjust the financial statements but must disclose the nature and estimated financial effect of the fire.
7. A dividend declared after the reporting period does not represent an obligation that existed at year-end. This is a non-adjusting event under IAS 10. The dividend is disclosed in the notes but not recognized as a liability at year-end.
8. Events after the reporting period that provide evidence of conditions that existed at the reporting date, requiring the financial statements to be adjusted.
9. Events after the reporting period that relate to conditions arising after year-end; disclosed but not adjusted.
10. IAS 10, Events After the Reporting Period.

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