

**LEMBAGA PIAWAIAN PERAKAUNAN MALAYSIA
MALAYSIAN ACCOUNTING STANDARDS BOARD**

MASB Standard 19

Events After the Balance Sheet Date

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Introduction

MASB 19, Events After the Balance Sheet Date, supersedes the parts of MASB Approved Accounting Standard IAS 10, Contingencies and Events Occurring After the Balance Sheet Date, that deal with events after the balance sheet date. The differences between this Standard and the relevant parts of IAS 10 are as follows:

- (a) new disclosures about the date of the authorisation of the financial statements for issue;
- (b) deletion of the option to recognise a liability for dividends that are stated to be in respect of the period covered by the financial statements and are proposed or declared after the balance sheet date but before the financial statements are authorised for issue. An enterprise may give the required disclosure of such dividends either on the face of the balance sheet as a separate component of equity or in the notes to the financial statements;
- (c) confirmation that an enterprise should update disclosures that relate to conditions that existed at the balance sheet date in the light of any new information that it receives after the balance sheet date about those conditions;
- (d) deletion of the requirement to adjust the financial statements where an event after the balance sheet date indicates that the going concern assumption is not appropriate for part of the enterprise. Under MASB 1, Presentation of Financial Statements, the going concern assumption applies to an enterprise as a whole;
- (e) certain refinements to the examples of adjusting and non-adjusting events; and
- (f) various drafting improvements.

Events After the Balance Sheet Date

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Events After the Balance Sheet Date

The standards, which have been set in bold type, should be read in the context of the background material and implementation guidance in this Standard, and in the context of the Foreword to MASB Standards. MASB Standards are not intended to apply to immaterial items.

Objective

The objective of this Standard is to prescribe:

- (a) when an enterprise should adjust its financial statements for events after the balance sheet date; and
- (b) the disclosures that an enterprise should give about the date when the financial statements were authorised for issue and about events after the balance sheet date.

The Standard also requires that an enterprise should not prepare its financial statements on a going concern basis if events after the balance sheet date indicate that the going concern assumption is not appropriate.

Scope

- 1. This Standard should be applied in the accounting for, and disclosure of, events after the balance sheet date.**
2. This Standard supersedes the parts of MASB Approved Accounting Standard IAS 10, Contingencies and Events Occurring After the Balance Sheet Date, that deal with events after the balance sheet date. The parts of that Standard which deal with contingencies are superseded by MASB 20, Provisions, Contingent Liabilities and Contingent Assets.

Definitions

- 3. The following terms are used in this Standard with the meanings specified:**

An equity instrument is any contract that evidences a residual interest in the assets of an enterprise after deducting all of its liabilities.

Events after the balance sheet date are those events, both favourable and unfavourable, that occur between the balance sheet date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- (a) **those that provide further evidence of conditions that existed at the balance sheet date (adjusting events after the balance sheet date); and**
 - (b) **those that are indicative of conditions that arose after the balance sheet date (non-adjusting events after the balance sheet date).**
4. The process involved in authorising the financial statements for issue will vary depending upon the management structure, statutory requirements and procedures followed in preparing and finalising the financial statements.
 5. In some cases, an enterprise is required to submit its financial statements to its shareholders for approval after the financial statements have already been issued. In such cases, the financial statements are authorised for issue on the date of original issuance, not on the date when shareholders approve the financial statements.

Example

The management of an enterprise completes draft financial statements for the year to 31 December 20X1 on 28 January 20X2. On 18 February 20X2, the board of directors reviews the financial statements and authorises them for issue. The enterprise announces its profit and other selected financial information on 19 February 20X2. The financial statements are made available to shareholders and others on 1 April 20X2. The annual meeting of shareholders approves the financial statements on 15 May 20X2 and the approved financial statements are then filed with a regulatory body on 17 May 20X2.

The financial statements are authorised for issue on 18 February 20X2 (date of Board authorisation for issue).

6. Events after the balance sheet date include all events up to the date when the financial statements are authorised for issue, even if those events occur after the publication of a profit announcement or of other selected financial information.

Recognition and Measurement

Adjusting Events After the Balance Sheet Date

7. **An enterprise should adjust the amounts recognised in its financial statements to reflect adjusting events after the balance sheet date.**
8. The following are examples of adjusting events after the balance sheet date that require an enterprise to adjust the amounts recognised in its financial statements, or to recognise items that were not previously recognised:
 - (a) the resolution after the balance sheet date of a court case which, because it confirms that an enterprise already had a present obligation at the balance sheet date, requires the enterprise to adjust a provision already recognised, or to recognise a provision instead of merely disclosing a contingent liability;
 - (b) the receipt of information after the balance sheet date indicating that an asset was impaired at the balance sheet 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 customer which occurs after the balance sheet date usually confirms that a loss already existed at the balance sheet date on a trade receivable account and that the enterprise needs to adjust the carrying amount of the trade receivable account; and
 - (ii) the sale of inventories after the balance sheet date may give evidence about their net realisable value at the balance sheet date;
 - (c) the determination after the balance sheet date of the cost of assets purchased, or the proceeds from assets sold, before the balance sheet date;
 - (d) the determination after the balance sheet date of the amount of profit sharing or bonus payment, if the enterprise had a present legal or constructive obligation at the balance sheet date to make such payments as a result of events before that date; and
 - (e) the discovery of fraud or errors that show the financial statements were incorrect.

Non-Adjusting Events After the Balance Sheet Date

- 9. An enterprise should not adjust the amounts recognised in its financial statements to reflect non-adjusting events after the balance sheet date.**
10. An example of a non-adjusting event after the balance sheet date is a decline in market value of investments between the balance sheet date and the date when the financial statements are authorised for issue. The fall in market value does not normally relate to the condition of the investments at the balance sheet date, but reflects circumstances that have arisen in the following period. Therefore, an enterprise does not adjust the amounts recognised in its financial statements for the investments. Similarly, the enterprise does not update the amounts disclosed for the investments as at the balance sheet date, although it may need to give additional disclosure under paragraph 21.

Dividends

- 11. If dividends to holders of equity instruments are proposed or declared after the balance sheet date, an enterprise should not recognise those dividends as a liability at the balance sheet date.**
12. MASB 1, Presentation of Financial Statements, requires an enterprise to disclose the amount of dividends that were proposed or declared after the balance sheet date but before the financial statements were authorised for issue. MASB 1 permits an enterprise to make this disclosure either:
 - (a) on the face of the balance sheet as a separate component of equity; or
 - (b) in the notes to the financial statements.

Going Concern

- 13. An enterprise should not prepare its financial statements on a going concern basis if management determines after the balance sheet date either that it intends to liquidate the enterprise or to cease trading, or that it has no realistic alternative but to do so.**
14. Deterioration in operating results and financial position after the balance sheet date may indicate a need to consider whether the going concern assumption is still appropriate. If the going concern assumption is no longer appropriate and the effect is so pervasive, 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.

15. MASB 1, Presentation of Financial Statements, requires certain disclosures if:
 - (a) the financial statements are not prepared on a going concern basis;
or
 - (b) management is aware of material uncertainties related to events or conditions that may cast significant doubt upon the enterprise's ability to continue as a going concern. The events or conditions requiring disclosure may arise after the balance sheet date.

Disclosure

Date of Authorisation for Issue

16. **An enterprise should disclose the date when the financial statements were authorised for issue and who gave that authorisation. If the enterprise's owners or others have the power to amend the financial statements after issuance, the enterprise should disclose that fact.**
17. 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.
18. The governing body of an incorporated enterprise is the Board of Directors, while the governing bodies for other enterprises are those with similar authority.

Updating Disclosure about Conditions at the Balance Sheet Date

19. **If an enterprise receives information after the balance sheet date about conditions that existed at the balance sheet date, the enterprise should update disclosures that relate to these conditions, in the light of the new information.**
20. In some cases, an enterprise needs to update the disclosures in its financial statements to reflect information received after the balance sheet date, even when the information does not affect the amounts that the enterprise recognises in its financial statements. One example of the need to update disclosures is when evidence becomes available after the balance sheet date about a contingent liability that existed at the balance sheet date. In addition to considering whether it should now recognise a provision under MASB 20, Provisions, Contingent Liabilities and Contingent Assets, an enterprise updates its disclosures about the contingent liability in the light of that evidence.

Non-adjusting Events After the Balance Sheet Date

- 21. Where non-adjusting events after the balance sheet date are of such importance that non-disclosure would affect the ability of the users of the financial statements to make proper evaluations and decisions, an enterprise should disclose the following information for each significant category of non-adjusting event after the balance sheet 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.**
22. The following are examples of non-adjusting events after the balance sheet date that may be of such importance that non-disclosure would affect the ability of the users of the financial statements to make proper evaluations and decisions:
- (a) a major business combination after the balance sheet date or disposal of a major subsidiary (see MASB 21, Business Combinations);
 - (b) announcing a plan to discontinue an operation, disposing of assets or settling liabilities attributable to a discontinuing operation or entering into binding agreements to sell such assets or settle such liabilities;
 - (c) major purchases and disposals of assets;
 - (d) the destruction of a major production plant by a fire after the balance sheet date;
 - (e) announcing, or commencing the implementation of, a major restructuring (see MASB 20, Provisions, Contingent Liabilities and Contingent Assets);
 - (f) major ordinary share transactions and potential ordinary share transactions after the balance sheet date (MASB 13, Earnings Per Share, encourages an enterprise to disclose a description of such transactions, other than capitalisation issues and share splits);
 - (g) abnormally large changes after the balance sheet date in asset prices or foreign exchange rates;
 - (h) changes in tax rates or tax laws enacted or announced after the balance sheet date that have a significant effect on current and deferred tax assets and liabilities;

- (i) entering into significant commitments or contingent liabilities, for example, by issuing significant guarantees; and
- (j) commencing major litigation arising solely out of events that occurred after the balance sheet date.

In the case of new capital issues proposed before the balance sheet date but approved after the balance sheet, an enterprise should disclose additional information as required in paragraph 46 of MASB 13, Earnings Per Share.

Effective Date

- 23. This MASB Standard becomes operative for financial statements covering periods beginning on or after 1 July 2001.**

Appendix 1

Compliance with International Accounting Standards

As at the date of issue of this Standard, compliance with this Standard will ensure conformity in all material respects with International Accounting Standard IAS 10 (revised 1999), Events After the Balance Sheet Date.