IND AS 10 - Events after the Rep. Period

1. Definitions
2. Types of Events
   - Adjusting Event
   - Non-Adjusting Event.
3. Special case
   - A. Dividend
   - B. Going Concern
   - C. Long Term loan arrangement
   - D. <u>Inventories</u>
4. Appendix A: Distn of Div in Non cash form.

<u>OFu</u>

Eg 1

F.Y. x1-x2

31.3.x2

IndAS 10.

14.08.x2 ⇓ Fin. Stat Finalize/ Approve (x1-x2) ↓ BOD (Board of Directors).

Events after the Reporting period.

- Adjusting Events
- Non Adjusting Events.

<u>Listed Co.</u>

<u>Eg 2</u>

Fy x1-x2

31/03/x2

x2-x3 Qtr1 FS Issued ⇓ Listed Co.

30/06/x2

14.08.x2 ⇓ Approval of FS by BOD for annual FS of x1-x2

Fy x1-x2 (EARP) → 31/03/x2 till 14.08.x2

<u>Note:</u> No relevance of Qtr 1 FS being issued in between.

Eg: Adj Event

02/07/x2

01.04.x1

AK sold goods to lokesh on credit
⇓
Debtors = 10L

14.02.x3
lokesh
⇓
GF - case

31.03.x2
⇓
Dss → 10L
~~Prov → 5%~~
Prov → 100%

Lokesh lost the case
↓
100%
Bankrupt.
↓
Condition existed on B/s date i.e. on 31.03.x2
⇓
Adj Event

14.08.x2
FS Approve.

Eg: Non-Adj Event

Fy x1-x2

31/3/0x2

02/07/x2
Fire.
↓
No condition existed on yr end.

∴ Non-Adj Event

If material, disclose in Notes to A/c's of Fy x1-x2.

14.08.x2
⇓
FS Approve.

* Special cases

① Dividend declared after Reporting period

01.04.X1 — FY X1-X2 — 31.03.X2 — 05/05/X2 — 14.08.X2

05/05/X2: Dividend declare after approval from SH.

⇓

Non-Adj Event

(Disclosure in Notes to A/c's of FY X1-X2)

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② Going concern

01.04.X1 — FY X1-X2 — 31.03.X2 — 02/07 — 14.08.X2

02/07: Fire in factory

⇓

Going concern Assumption

- No more valid
  ⇓
  ~~Non Adj~~
  Adj Event
  ⇓
  FY X1-X2 (FS) prepared on Liquidation/realisation Basis.
- Still Valid.
  ⇓
  Non Adj Event
  ⇓
  Disclose (if fire is material)

Imp ③ Long term loan Arrangement → Breach

01.04.x1 — 14.02.x2 — 31.03.x2 — 05/05/x2 — 14.08.x2

01.04.x1
loan 10yrs
(NCL)
(condition was to maintain D/E ratio of 2:1)

14.02.x2
Breach of condition
⇓
loan
⇓
CL.

No talks of Grace Period.

31.03.x2
⇓
~~Current liab~~
Non-Current

05/05/x2
Condition Removed / G.P more than 12 months

Ind AS 10 ⇓ Adj Event

/ IAS 10 → Non Adj Event

Rel ltd

	loan
~~NCL~~	5000 cr → 50 yrs
CL →	5000 cr ↓ Economy crash.

OFU
why Adj in Ind AS

To protect share mkt
— " — SH trust
— " — economy

Aise hai Bhaisahaab

* Summary of Breach of long term loan

Ind AS 1	Ind AS 10
Fy x1-x2 — 14.02 Breach — 31/03/x2 ↓ GP less than 12m / more than 12m (Before Yr end	Fy x1-x2 — 14.02 Breach — 31/03/x2 ⇓ G.P extention/ condition remove ⇓ After Yr end (Adj Event)
Ind AS 1 → G.P extension is taken Before B/s date	Ind AS 10 - G.P extension is taken after B/s date.

4. Inventory (Summary of Adj in Ques)

⇓

NRV falls After Reporting period

AK hai Bhaisahaab

- Condition existed on B/S date
  ↓
  Adj Event

- No condition existed on B/S date
  ⇓
  NRV falls after Yr end due to price change in mkt
  ↓
  Adj Event
  (Eg 1)

- No condition existed on B/S date & fall in NRV is due to Water leakage / fire → which occurred after Rep. period
  ↓
  Non Adj Event
  (Eg 2)

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eg: 1

FY X1-X2

31/03/X2	05-05-X2	14-08-X2
Inventory → Cost 10	NRV falls due to price fluctuation.	
NRV 11	⇓	
~~Cost 10~~	NRV 8	
NRV 8	↓	
	Adj Event	
	(Exception)	

eg 2

FY X1-X2

31/03/X2	05/05
⇓	Fire in warehouse/ water leakage
Inventory	⇓
Cost 10	Inventory Damage
NRV 11	⇓
Cost 10.	NRV = 4.
	⇓
	Non Adj

Extra Examples

① FY X1-X2

31/03/X2

05/05/X2

14.08.X2

Fraud Robbery ⇓ 02/07/X1

Mngt found abt the fraud

↓

$\boxed{\text{Adj Event}}$

② FY X1-X2

31/03/X2

05/05/X2

14.08.X2.

⇓ Construction contract

Construction cost will ↑ by 5 lakhs due to a rocky surface. which the Co → Identified on 05/05/X2 → Adj Event

↓

Assume { ofcourse it existed from start of contract

⇓

Humko mila baadmein.

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③ FY X1-X2

14.02.X2

DRS case

31/3/X2 ↓ Prov 5%

⇓ EARP

Adj

Non Adj

14.08.X2 Approval of FS

15.09.X2

DRS Became Insolvent

EARP ✗

(Ind AS 10) ✗

Q4 (MTP | RTP | PP) LDR

i) ⓐ

2016 | 2017 | 2018 | 2019. | 2020

01|01|2016
⇓
Asset available for use
⇓
Depr^n Begins
⇓
cost = 10 lakhs

Life = 30yrs

31|12|2016
1|01|2017

31|12|2017
01|01|2018

31|12|2018
$\boxed{01|01|2019}$

Reassessed useful life = 20yrs. from the date it was ready for use. i.e. from 2016.

i.e. Remaining useful life on 01|01|2019 = 17yrs

31|12|2019
01|01|2020

Impairment Test (Ind AS 36)
↓
CA 31|12|19 = Find (?).
RA 31|12|19 = 600000

Jan | Feb
⇓
warehouse Damage
⇓
Due to structural fault (that means it existed from Day 1)
⇓
Adj Event
↓
∴ Impairment Test on 31|12|2019.

01|01|2016	Cost	10,00,000	(life 30yrs)
Less: Depr^n	2016	(33,333)	$(10L \times 1/30)$
"	2017	(33,333)	
	2018	(33,333)	
	~~2019~~	~~(33,333)~~	
01|01|2019		9,00,000	$(9L \times 1/17)$
Imp Less: Depr^n 2019		(52941)	(Remaining Revised life = 17yrs)
CA 31|12|2019		847059	
R.A 31|12|2019		600000	
I.L.		247059	

Ideally this reassessed life should be considered from 31.12.19 i.e. 16yrs & Depr^n for 2019 should be 33,333 But in ICAI sol^n, the impact of Revised life was made applicable from 01.01.2019.

J.E. IL (P|L) 247059
31|12|19 To PPE 247059.

31/12/19 Depr^n 19608

TO PPE 19608

(52941 (-) 33333)

(assuming this amt was already charged as Depr^n ∴ we pass only incremental depr^n entry)

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i) (b) Inventory

water leakage on 27^th Jan 2020 (i.e. After Yr end But Before Approval of BOD)

(Yr end 31/12/19)

Inventory Damage

$\boxed{\text{Non Adj Event}}$

ii) Disclosure requirement → Refer Q.B.

iii) If Damage to (PPE) warehouse → was NOT due to structural fault

⇓

Non Adj Event.