



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

Accounting Manual for Departments

Events After the Reporting Date

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1 Overview

The purpose of this Chapter is to prescribe when a department should adjust its financial statements for events after the reporting date; and the disclosures that a department should provide about the reporting date and the date when the financial statements were authorised for issue, as well as events after the reporting date.

The Office of the Accountant-General compiles a Modified Cash Standard (MCS), this manual serves as an application guide to the MCS which should be used by departments in the compilation of their financial statements.

Any reference to a “Chapter” in this document refers to the relevant chapter in the MCS and / or the corresponding chapter of the Accounting Manual.

Explanation of images used in manual:

	Definition
	Take note
	Management process and decision making
	Example

2 Key Learning Objectives


- Understanding if an event is an event after reporting date.
- Understanding what needs to be disclosed for events after reporting date.

3 Scope

The Chapter on Events After the Reporting Date in the MCS, and consequently this guide applies to the identification of adjusting and non-adjusting events that occur after the reporting date, and the treatment thereof in the financial statements.

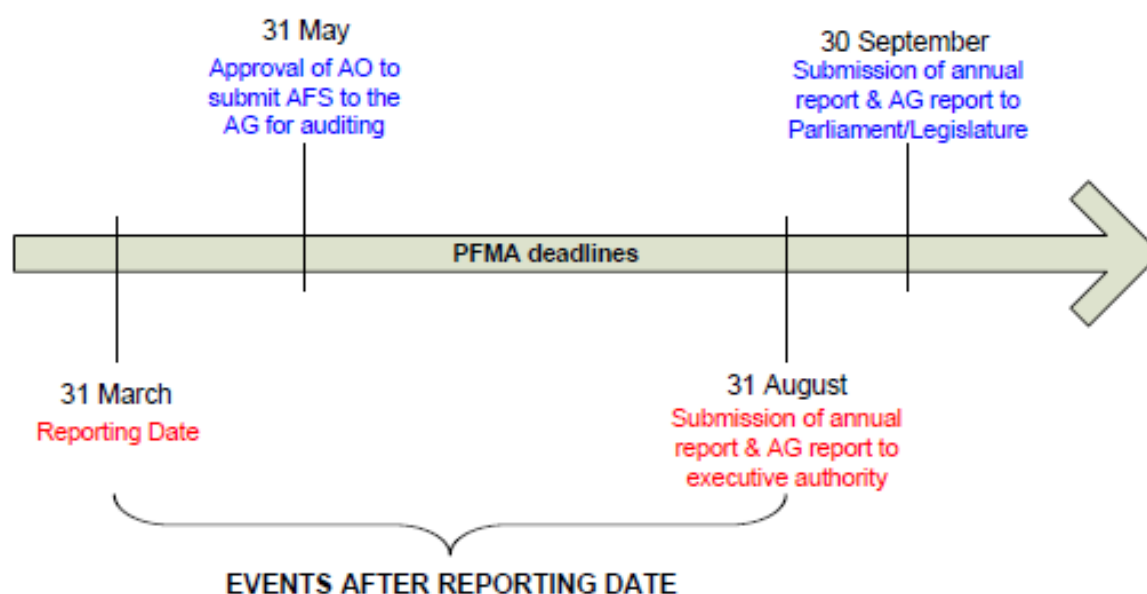
Departments recognise expenditure on the date of payment and revenue when the cash is received. Thus for the purpose of this chapter, adjusting events will most likely be limited to information included in the secondary information in the financial statements.


4 Events after the Reporting Date


	<p>Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue.</p>
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4.1 Authorising the Financial Statements for Issue

It is important to understand the scope of “events after the reporting date” i.e. when should the department start considering adjusting and non-adjusting events and when the department should stop. The figure below illustrates the deadlines in terms of the PFMA and the period over which the department should consider events after the reporting date.

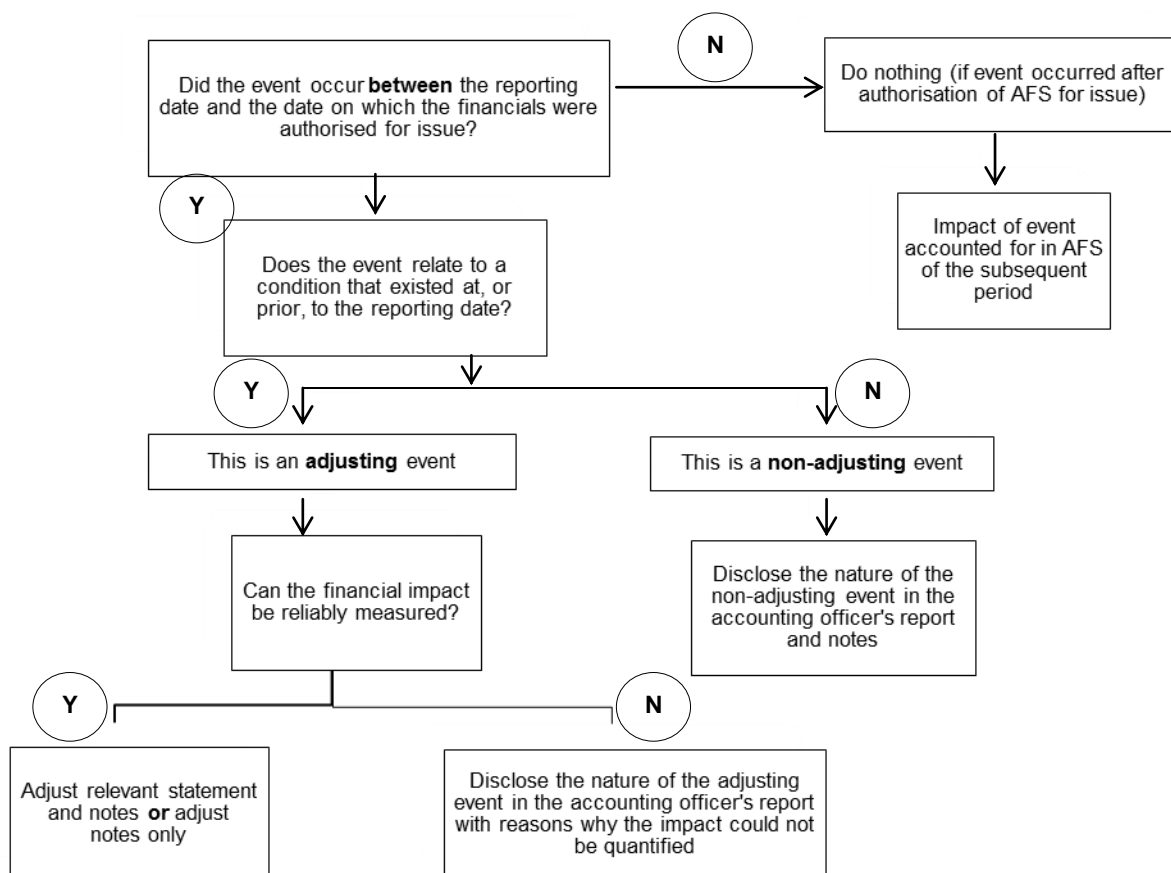


	<p>Reporting date means the date of the last day of the financial year. For departments this is the 31 March.</p> <p>Date of authorisation for issue is the date on which the financial statements have received approval by management to be issued to the executive authority. The audit opinion is provided on these finalised financial statements.</p>
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	<p>It is management's (i.e. the accounting officer's) responsibility to authorise the financial statements for issue. The process to prepare and authorise financial statements for issue must be done in compliance with the PFMA and TR and any supplementary internal policies and procedures.</p>
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	<p>Example: Date of authorising the financial statements</p> <p>The accounting officer of Department A approves the financial statements for the year ended 31 March 20x1 on 28 May 20x1 and submits the financial statements to the auditors for auditing. The financial statements are approved by the accounting officer for issue to the executive authority on 30 July 20x1.</p> <p>On 31 August 20x1, the accounting officer submits the annual report, including the financial statements and the audit report on those financial statements, to the executive authority for tabling in the National Assembly.</p> <p>The executive authority tables the approved annual report to the National Assembly on 15 September 20x1.</p> <p>The financial statements are authorised for issue on 30 July 20x1, as the audit opinion was provided on those financial statements.</p>
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The following decision tree provides guidance on the difference between adjusting and non-adjusting events which will be discussed in more detail in the sections below:




4.2 Adjusting events after the reporting date


	<p>Adjusting events after the reporting date are those events that provide evidence of conditions that existed at the reporting date.</p>
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	<p>Example: Adjusting events</p> <p>At reporting date, 31 March 20x1, Department B recorded a provision of R100 000 in respect of an outstanding court case. On 14 June 20x1, the court ruled that the Department is liable to pay an amount of R150 000. Consequently, the Department is required to upwardly adjust the provision disclosed to an amount of R150 000, as the court ruling is an adjusting event (it provides evidence of a situation that existed at the reporting date).</p> <p>If only a contingent liability was disclosed at 31 March 20x1 due to the uncertainty about the outcome of the court case, a provision to the amount of R150 000 would</p>
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	have had to be recorded and disclosed once the court ruled. It would not be sufficient to simply disclose a contingent liability, as the court ruling provides additional evidence of a situation that already existed at the reporting date.
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	<p>Important aspects to consider:</p> <ul style="list-style-type: none"> • Settlement of a court case – judgement in a court case given after year end is taken into account, not only in determining whether changes in measurements are required, but also in determining whether a provision should be recorded at the reporting date. • Information that indicates impairment - post reporting date restructuring or discontinuance of operations as well as insolvency of a debtor(s) may not in themselves be adjusting events, but may provide evidence of impairment at reporting date. • Fraud, error and other regularities – such irregularities that are discovered after year-end are adjusting items. Prior period adjustments are required where these irregularities date back to more than one financial year. Refer to the Chapter on Accounting Policies, Estimates and Errors that deals with prior period errors. • Updating disclosures – information received after the reporting date may necessitate the updating of disclosures made in the financial statements e.g. updating or disclosing new provisions or contingent liabilities.
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4.3 Non-adjusting events after the reporting date

	Non-adjusting events after the reporting date are those events that are indicative of conditions that arose after the reporting date.
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	<p>A department should not adjust the amounts in the related notes of its financial statements to reflect non-adjusting events after the reporting date, since the related conditions did not exist at reporting date.</p> <p>However if non-adjusting events after the reporting date are material they should be disclosed as they could influence the economic decisions of users taken on the basis of the financial statements.</p>
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	<p>Examples: Non-adjusting events which are required to be disclosed in the financial statements if they are material</p> <ol style="list-style-type: none"> 1. Department A owns a property with a market value of R1 000 000 at reporting date, 31 March 20x1. The market value of the property has declined steadily between May and July 20x1, when the property market experienced a decline. This will give no further evidence of the situation as on the reporting date and
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	<p>therefore is a non-adjusting event. The decline in the market value after the reporting date may need to be disclosed if it is material to the user.</p> <ol style="list-style-type: none"> 2. Department B announced on 20 April 20x1, that a major restructuring will take place. There will be no adjustment made to the financial statements, as this gives no further evidence of the situation that existed at the reporting date. This fact will, however, need to be disclosed in the notes to the financial statements. 3. Department C has a foreign debtor at reporting date. That debtor was translated to Rands at the spot rate (assume \$1=R7,92) on 31 March 20x1. If the exchange rate increases dramatically to \$1=R9,43 on 30 April 20x1, no adjustment is required. 4. On 15 June 20x1, Department D entered into an agreement with Armscor, where the department committed to purchase a large amount of military equipment. This gives no further evidence of a situation that existed at the reporting date, therefore no adjustment is needed. As this is a significant commitment entered into, this needs to be disclosed in the notes to the financial statements. 5. On 20 May 20x1, a major supplier initiated a litigation claim against Department E for breach of contract. The alleged contract breach took place on 10 April 20x1. Although no adjustment is needed in the financial statements, as the event did not exist at reporting date, the facts of the litigation claim need to be disclosed in the notes to the financial statements, as this may be significant to the users. 6. During the June 20x1, Department G administrative building is destroyed in a fire early in the morning. No employees were hurt, however nothing was left in the building. Luckily the department has made backups of all the documents and programmes and these are kept in a different building. The insurance company could not determine until September 20x1 what the actual damage was and whether the department would be able to claim the amount from the insurance company. <p>The event took place after the reporting date (31 March 20x1) and the damage did not exist at year end. This is therefore a non-adjusting event.</p> <p>However, as this is a material non-adjusting event after the reporting date, the department should disclose this event in their financial statements.</p>
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5 Disclosure


5.1 Disclosure of date of authorisation for issue


	<p>Departments are required to disclose the date when the financial statements are authorised for issue and who gave the authorisation.</p> <p>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</p>
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5.2 Disclosure of adjusting events after reporting date

	<p>When information is received after the reporting date about conditions existing at the reporting date, but before the financial statements are authorised for issue, disclosure should be made that relates to the new information.</p>
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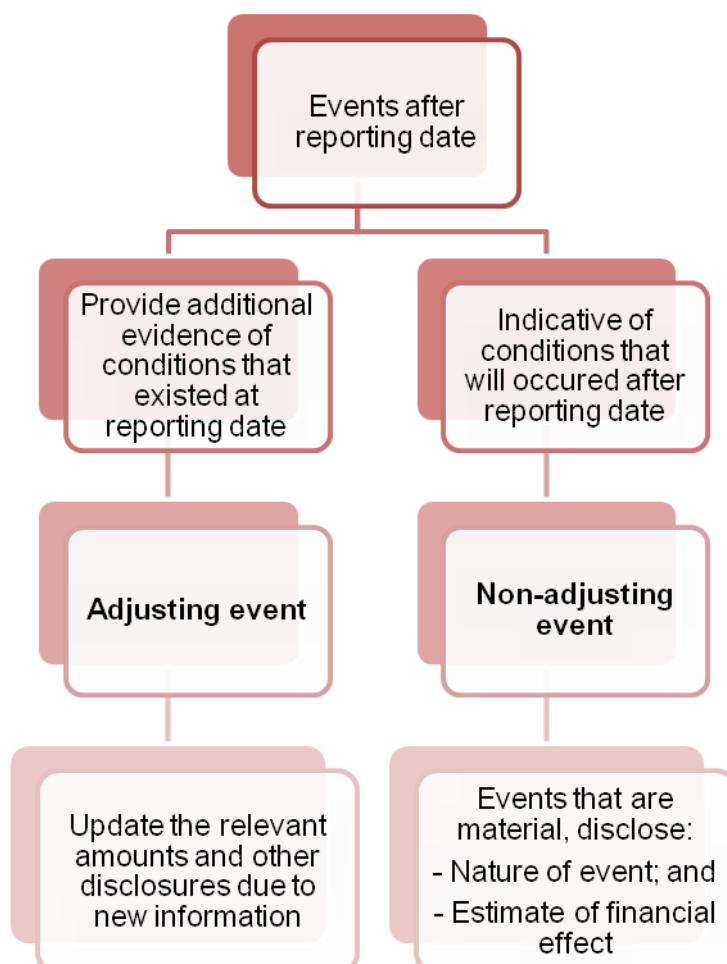
5.3 Disclosure of non-adjusting events after reporting date

	<p>If non-adjusting events, that occurred after the reporting date, are material, it may influence the economic decisions of users taken on the basis of the financial statements and should therefore be disclosed in the notes to the financial statements.</p> <p>The department should disclose the following for each material category of non-adjusting event after the reporting date:</p> <ul style="list-style-type: none"> • the nature of the event; • an estimate of its financial effect, or a statement that such an estimate cannot be made.
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	<p>Note that even if there were no events after reporting date, a statement to that effect should still be disclosed, for example:</p> <p>Extract from <i>Notes to the financial statements</i></p> <p>Events after the reporting period</p> <p><i>No events after the reporting date were identified by management that would affect the operations of the department or the results of those operations significantly.</i></p>
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6 Summary of Key Principles

This chapter prescribes when a department should adjust its financial statements for events after the reporting date; and the disclosures that a department should provide about the reporting date and the date when the financial statements were authorised for issue, as well as events after the reporting date.



6.1 Identifying events after the reporting date

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue.

6.2 Authorising the financial statements for issue

The reporting date means the date of the last day of the reporting year.

The date of authorisation for issue is the date on which the financial statements have received approval from management to be issued to the executive authority.

6.3 Adjusting and non-adjusting events after reporting period

Two types of events after the reporting year can be identified:

- Adjusting events after reporting date that can be described as those events that provide evidence of conditions that existed at the reporting date.
- Non-adjusting events are the events that are indicative of conditions that arose after the reporting date.

6.4 Disclosure

The departments must disclose the date when the financial statements are authorised for issue and who gave the authorisation.

When information is received after the reporting date about conditions existing at the reporting date, but before the financial statements are authorised for issue, disclosure should be made that relates to the new information.

The department must disclose the following for each material category of non-adjusting event after the reporting date:

- the nature of the event;
- an estimate of its financial effect, or a statement that such an estimate cannot be made.

The recording and measurement principles established in other chapters of the Accounting Manual apply equally to adjusting events arising after the reporting date.