This accounting policy paper is based on IPSAS 14 Events After the Reporting Date, as adopted by the Treasury of the Republic of Cyprus.

Events After the Reporting Date

IPSAS Project Team
(by Christina Paradisioti)
The Treasury of the Republic of Cyprus

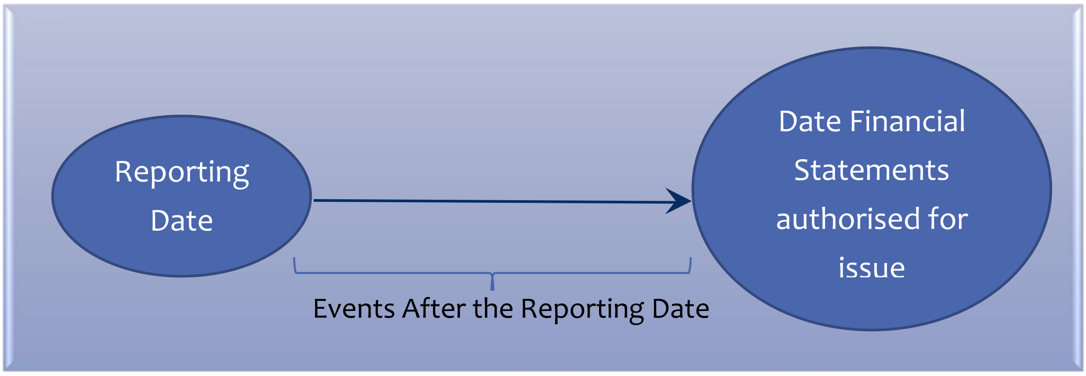
Date: 10 January 2018

TABLE OF CONTENTS

1. INTRODUCTION 2
1.1 Events After the Reporting Date 2
1.2 Objectives 2
1.3 Scope 2
1.4 Definitions 2
2. AUTHORISING THE FINANCIAL STATEMENTS FOR ISSUE 3
3. RECOGNITION AND MEASUREMENT 3
3.1 Adjusting Events after the Reporting Date 4
3.2 Non-adjusting Events after the Reporting Date 4
4. GOING CONCERN 5
5. DISCLOSURE 6
6. TRANSITIONAL PROVISIONS 7
7. EFFECTIVE DATE 7
8. REFERENCES 7

1. INTRODUCTION

1.1 EVENTS AFTER THE REPORTING DATE



1.2 OBJECTIVES

The objective of this accounting policy is to prescribe:

a) When the entity should adjust its financial statements for events after the reporting date; and
b) The disclosures that the entity should give about the date when the financial statements were authorised for issue and about events after the reporting date.

The aim of this policy is to provide technical accounting guidance for the preparation of financial statements, so as to enable the financial statements to give a true and fair view. The aforementioned policy is prepared following guidance from all relevant International Public Sector Accounting Standards (IPSASs).

1.3 SCOPE

This accounting policy shall be applied in accounting for, and disclosing of, events after the reporting date.

1.4 DEFINITIONS

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. Two types of events can be identified:

a) Those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
b) Those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

Any other terms defined in other accounting policies that have been adopted by the government of the Republic of Cyprus, have the meaning presented in those accounting policies.

2. AUTHORISING THE FINANCIAL STATEMENTS FOR ISSUE

Identification of:

- *Reporting Date; and*
- *Date on which the Financial Statements are authorised for issue.*

The reporting date is the last day of the reporting period to which the financial statements relate.

The date of authorisation for issue is the date on which the financial statements have received approval from the individual or body with the authority to finalise those statements for issue.

The audit opinion is provided on the finalised financial statements.

3. RECOGNITION AND MEASUREMENT

Government intentions announced in the period between the reporting date and the date of authorisation for issue of the financial statements should be assessed as to whether or not they should be recognised as adjusting events. Recognition would depend on:

a) Whether they provide more information about the conditions existing at the reporting date, and
b) Whether there is sufficient evidence that they can and will be fulfilled.

3.1 ADJUSTING EVENTS AFTER THE REPORTING DATE

The entity shall adjust the amounts recognised in its financial statements to reflect adjusting events after the reporting date.

Examples of adjusting events after the reporting date are:

a) The settlement after the reporting date of a court case that confirms that the entity had a present obligation at the reporting date.

b) The receipt of information after the reporting date indicating that an asset was impaired at the reporting date, or that the amount of a previously recognised impairment loss for that asset needs to be adjusted.

c) The determination after the reporting date of the cost of assets purchased, or the proceeds from assets sold, before the reporting date.

d) The determination after the reporting date of the amount of revenue collected during the reporting period to be shared with another government under a revenue-sharing agreement in place during the reporting period.

e) The discovery of fraud or errors that show that the financial statements are incorrect.

f) Bankruptcy of a debtor that occurs after the reporting date reflecting its insolvency existing at the reporting date.

3.2 NON-ADJUSTING EVENTS AFTER THE REPORTING DATE

An entity shall not adjust the amounts recognised in its financial statements to reflect non-adjusting events after the reporting date.

Examples of non-adjusting events after the reporting date are:

a) Where an entity has adopted a policy of regularly revaluing property to fair value, a decline in the fair value of property between the reporting date and the date when the financial statements are authorised for issue.

b) Where an entity charged with operating particular community service programs decides, after the reporting date but before the financial statements are authorised, to provide/ distribute additional benefits directly or indirectly to participants in those programs.

c) If an entity declares dividends or similar distributions (i.e. the dividends or similar distributions are appropriately authorised and no longer at the discretion of the entity) after the reporting date but before the financial statements are authorised for issue, the entity shall not recognise those distributions as a liability at the reporting date because no obligation exists at that time. Instead, such distributions are disclosed in the notes to the financial statements.

However, non-adjusting events after the reporting date should be assessed as to whether they meet the conditions for disclosure, as set out in section 5 of this accounting policy.

4. GOING CONCERN

*Financial statements shall **not** be prepared on a going concern basis if those responsible for their preparation determine after the reporting date either:*

- *that there is an intention to liquidate the entity or to cease operating, or*
- *that there is no realistic alternative but to do so.*

For example, an individual government agency may not be a going concern because the government of which it forms part has decided to transfer all its activities to another government agency. However, this restructuring has no impact upon the assessment of going concern for the government itself.

In assessing whether the going concern assumption is appropriate, a wide range of factors need to be considered, including the current and expected performance of the entity, any announced and potential restructuring of organisational units, the likelihood of continued government funding as well as potential sources of replacement funding. The determination of the appropriateness of the going concern assumption shall be considered by each entity.

Entities whose operations are substantially budget-funded will generally have to deal with going concern issues only if the government announces its intention to cease funding the entity.

If the going concern assumption is no longer appropriate, this accounting policy requires an entity to reflect this in its financial statements. The impact of such a change will depend upon the particular circumstances of the entity, for example whether the operations are to be transferred to another government entity, sold or liquidated. When the going concern assumption is no longer appropriate, an entity shall also consider whether the change in circumstances leads to the creation of additional liabilities or triggers clauses in debt contracts leading to the reclassification of certain debts as current liabilities.

5. DISCLOSURE

1. The entity shall disclose the date when the financial statements were authorized for issue and who gave that authorization. If another body has the power to amend the financial statements after issuance (e.g. Ministers, Parliament etc), the entity shall disclose that fact.

2. If the entity receives information, after the reporting date but before the financial statements are authorized for issue, about conditions that existed at the reporting date, the entity shall update disclosures that relate to these conditions in the light of the new information. For example, when evidence becomes available after the reporting date about a contingent liability that existed at the reporting date, in addition to considering whether it should now recognize a provision, an entity updates its disclosures about the contingent liability in the light of that evidence.

3. The entity shall disclose the following for each material category of non-adjusting event after the reporting 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.

If non-adjusting events after the reporting date are material, non-disclosure could influence the economic decisions of users taken on the basis of the financial statements. Examples of such non-adjusting events after the reporting date that would result in disclosure are:

- An unusually large decline in the value of property carried at fair value, where that decline is unrelated to the condition of the property at reporting date, but is due to circumstances that have arisen since the reporting date;
- The entity decides after the reporting date, to provide/ distribute substantial additional benefits in the future directly or indirectly to participants in community service programs that it operates, and those additional benefits have a major impact on the entity;
- A major public sector combination, a disposal of a major controlled entity or the outsourcing of all or substantially all of the activities currently undertaken by an entity after the reporting date;
- Announcing a plan to discontinue an operation or a major program, disposing of assets, or settling liabilities attributable to a discontinued operation or major

program, or entering into binding agreements to sell such assets or settle such liabilities;

- Major purchases and disposals of assets;
- The destruction of a major building by a fire after the reporting date;
- Announcing, or commencing the implementation of, a major restructuring;
- The introduction of legislation to forgive loans made to entities or individuals as part of a program;
- Abnormally large changes after the reporting date in asset prices or foreign exchange rates;
- Changes in income tax rates or tax laws enacted or announced after the reporting date that have a significant effect on current and deferred tax assets and liabilities, in the case of entities that are liable for income tax.
- Entering into significant commitments or contingent liabilities, for example by issuing significant guarantees after the reporting date;
- Commencing major litigation arising solely out of events that occurred after the reporting date.

6. TRANSITIONAL PROVISIONS

No transitional exemptions are provided on the adoption of IPSAS 14 Events After the Reporting Date.

7. EFFECTIVE DATE

This rule shall be effective for annual financial statements covering periods beginning on or after 1 January 2023.

8. REFERENCES

This accounting policy is based on the following IPSAS standards:

IPSAS 14 Events After the Reporting Date

IPSAS 33 First – time Adoption of Accrual Basis IPSASs

The Applicability of IPSASs