

## SUBSEQUENT EVENTS: ASPE 3820

### Definition

- A subsequent event is an event that occurs between the **balance sheet date and the date the financial statements are completed**
- In general, there are two types of subsequent events:
  - 1) those that provide further **evidence of conditions that existed at the financial statement date**; and
  - 2) those that are **indicative of conditions that arose subsequent to the financial statement date**

### Accounting Treatment

- Financial statements are **adjusted** when subsequent events provide **additional evidence relating to conditions that existed at the date of the financial statements**
- examples of adjusting events:
  - lawsuits settled after the year end that confirms that the company had an obligation at the end of the reporting period
  - information after year end indicating impairment of assets at the end of the reporting period
    - bankruptcy of a customer (indicates A/R was impaired)
    - sale of inventory after reporting period may give evidence of net realizable value (and possible inventory impairment)
  - more information RE the cost or the proceeds of a disposition
  - fraud or errors that misstate the financial statements
- Financial statements are not adjusted for subsequent events that **do not relate to conditions that existed at the date of the financial statements**
  - Disclose these events if they:
    - cause significant changes to assets or liabilities in the subsequent period; or
    - will, or may, have a significant effect on the future operations of the enterprise
  - at a minimum you should disclose:
    - a description of the nature of the event; and
    - an estimate of the financial effect, when practicable, or a statement that such an estimate cannot be made
- Examples of non-adjusting events:
  - an event such as a **fire or flood** that results in a loss;
  - a **decline in the market value** of investments;
  - purchase of a business;
  - commencement of litigation when the **cause of action arose subsequent to the date of the financial statements**;
  - changes in foreign currency exchange rates; and
  - the issue of capital stock or long-term debt.

### Comparison to IFRS

- Under IFRS, the subsequent event period is between the reporting date and when the F/S are authorized for issue (the subsequent event period under IFRS could be later than ASPE)