**EX1-Authorized date**

**Facts-**The preparation of the financial statements of Sab. Corp. for the accounting period ended December 31, 2022, was completed by the management on March 15, 2023. The draft financial statements were considered at the meeting of the board of directors held on March 20, 2023, on which date the board approved them and authorized them for issuance. The annual general meeting (AGM) was held on April 10, 2023, after allowing for printing and the requisite notice period mandated by the corporate statute. At the AGM the shareholders approved the financial statements. The approved financial statements were filed by the corporation with the Company Law Board (the statutory body of the country that regulates corporations) on April 20, 2023

**Required**-Given these facts, what is the “authorization date” in terms of IAS 10?

***Solution***

The date of authorization of the financial statements of Sab Corp. for the year ended December 31, 2022, **is March 20, 2023**, the date when the board approved them and authorized them for issue (and not the date they were approved in the AGM by the shareholders). Thus, all post–balance sheet events between December 31, 2022, and March 20, 2023, need to be considered by Sab Corp. for the purposes of evaluating whether they are to be accounted or reported under IAS 10.

**EX2- Adjusting events**

Facts-During the year 2022, Sami Corp. was sued by a competitor for £15 million for infringement of a trademark. Based on the advice of the company’s legal counsel, Sami Corp. accrued the sum of £10 million as a provision in its financial statements for the year ended December 31, 2022. Subsequent to the balance sheet date, on February 15, 2023, the Supreme Court decided in favor of the party alleging infringement of the trademark and ordered the defendant to pay the aggrieved party a sum of £14 million.

The financial statements were prepared by the company’s management on January 31, 2023, and approved by the board on February 20, 2023

**Required** Should Sami Corp. adjust its financial statements for the year ended December 31, 2022?

**Solution**

Sami Corp. should adjust the provision upward by £4 million to reflect the award decreed by the Supreme Court (assumed to be the final appellate authority on the matter in this example) to be paid by Sami Corp. to its competitor.

Had the judgment of the Supreme Court been delivered on February 25, 2023, or later, this post–balance sheet event would have occurred after the cutoff point (i.e., the date the financial statements were authorized for original issuance). If so, adjustment of financial statements would not have been required.

Ex3- Ding Dong financial year ends on 31 December. On 20 December 2023, Ding Dong was involved in a court case with a customer who sued the company for delivering products where there was a dispute over the exact ingredients included in the products manufactured by Ding Dong. These products were delivered to the customer in October 2023. The details of the case were heard by 22 December but the judge decided to reserve her judgment until 8 January 2024. On 8 January 2024, the judge ruled in favour of the customer, awarding it damages of €100,000.

-Ding Dong has an investment worth €1,000,000 in its financial statements at 31 December 2023Due to the continuing recession, the investment reduced in value to €900,000 by 15 January 2024

-On 8 January 2024 one of the accountants left Ding Dong suddenly. On further investigation, the company realized that this employee had been paying himself money from the bank account in relation to false rental invoices. The amount of the overpayment was found to be €86,000. With the help of the police, the accountant was tracked down and repaid all of the money on 18 January 2024..

-On 10 January 2024, Ding Dong Limited sold some inventory for €80,000. This inventory had been included in the year-end inventory count at cost of €100,000.

**Required** :How should this company treat those events?

**Solution EX3** –

-Per paragraph 9 (a) of IAS 10, this is an adjusting event. The event took place during the reporting period and the settlement after the reporting period of the court case confirms that Ding Dong Limited had a present obligation at the end of the reporting period. The entity adjusts any previously recognised provision related to this court case in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets or recognises a new provision.

- Per paragraph 11 of IAS 10, this is a non-adjusting event. The decline in fair value does not normally relate to the condition of the investments at the end of the reporting period, but reflects circumstances that have arisen subsequently. Similarly, the entity does not update the amounts disclosed for the investments as at the end of the reporting period, although it may need to give additional disclosure Per paragraph 11 of IAS 10, this is a non-adjusting event. The decline in fair value does not normally relate to the condition of the investments at the end of the reporting period, but reflects circumstances that have arisen subsequently. Similarly, the entity does not update the amounts disclosed for the investments as at the end of the reporting period, although it may need to give additional disclosure

-Per paragraph 9 (e) of IAS 10, this is an adjusting event. The discovery of fraud that shows that the financial statements are incorrect has to be adjusted in the financial statements for the relevant reporting period i.e. year ended 31st December 2023. At the year-end, rental expenses are overstated and the bank balance is understated and these need to be corrected to accurately reflect the correct balances at the year-end.

- Per paragraph 9 (b ii) of IAS 10, this is an adjusting event. The sale of inventories after the reporting period can give evidence about the net realisable value of the inventory at the end of the reporting period. The inventory’s net realisable value in early January 2024 is €80,000 whereas the cost of the inventories at 31 December 2023 was €100,000. Using the IAS 2 Inventories rule that inventory is to be valued at the lower of cost and net realisable value, the inventory at the year-end should be included at €80,000 in the financial statements and therefore, the financial statements have to be adjusted to reflect this change.