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The impact of Sars-CoV-2 on events after the reporting date

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Abstract

The issue addressed by this study is to what extent anything that happens between the entity's end of the reporting period and the date the financial statements are authorised for issue should be reflected in those financial statements, since the onset of the Sars-CoV-2 crisis. The study distinguishes between events that provide information about the state of the entity existing at the end of the reporting period (adjusted subsequent events) and those that concern the next financial period (non-adjusted subsequent events). As this study is concluded to that the effects of the COVID - 19 should be considered as a non adjusting event for the December 31, 2019 proforma financial statements .

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- ✓ event;
- ✓ Sars-CoV-2;
- ✓ accounting;
- ✓ adjusted;
- ✓ non-adjusted:

1. *Introduction*

A period of several weeks or sometimes months may elapse after the end of the fiscal year but before the management or the board of directors authorizes issuance of the financial statements. Various activities involved in closing the books for the period and issuing the statements all take time: taking and pricing the inventory, reconciling subsidiary ledgers with controlling accounts, preparing necessary adjusting entries, ensuring that all transactions for the period have been entered, obtaining an audit of the financial statements by independent certified public accountants, and printing the annual report. During the period between the statement of financial position date and its authorization date, important transactions or other events may occur that materially affect the company's financial position or operating situation. Many who read a statement of financial position believe the financial condition is constant, and they project it into the future. However, readers must be told if the company has experienced a significant change—e.g., sold one of its plants, acquired a subsidiary, suffered unusual losses, settled significant litigation, or experienced any other important event in the post-statement of financial position period. Without an explanation in a note, the reader might be misled and draw inappropriate conclusions.

Subsequent to the balance sheet date, the COVID – 19 has spread throughout the countries. On March 2020, the Governments announced a temporary lock down as a measure to reduce the spread of the COVID – 19 and measures to reduce the spread of the COVID-19 include lockdown of businesses, suspension of flight operations, intercity movements, cancellation of major events etc. These measures have resulted in an overall economic slowdown and disruptions to various businesses and significant volatility in the Stock Exchange. The lockdown has also caused disruptions in supply chain including supply of produced goods to the customers of the entities and receipt of trade debts and the entities are also facing liquidity problems on account of delayed payments from their customers. The aforementioned measures have also affected the business operations of the entity significantly in the form of (write entity specific information about the impacts on financial position and operations).

For by means what already stated can ask this question:

To what extent the events due to covid-19 after reporting period affect the entity's financial statements and how can treat it ?

Importance of searching

- The COVID-19 pandemic has resulted (at the time of writing) in almost 178 million confirmed cases and about 3.7 million deaths globally (World Health Organization, 2021). It has also produced concerns about future social-economic crises and recession;

- The institution represents the nucleus of any economy in the world as it represents the main source for creating wealth and jobs;
- The impact of covid - 19 has affected most economic institutions as a result of indefinite closures due to quarantine measures and other government directives;
- Covid-19 coincided with the period of subsequent events for most economic institutions;
- COVID-19 has created unique challenges in the operation and oversight of entities. These challenges are particularly acute when it comes to financial reporting and disclosure;
- Ignoring the treatment of subsequent events after the reporting period may affect the credibility and accuracy of the financial statements;
- Covid-19 contributed to the increased importance of considering events after the reporting period for preparers and accounting standard-setters.

Targets of Search

- Introducing events after the reporting period in accordance with International Accounting Standards;
- Presenting treatment requirements of subsequent events in accordance with international accounting standards;
- Highlighting the most important subsequent events arising from the spread of COVID-19;
- Determining whether subsequent events arising from COVID-19 are events affecting the financial statements or not;
- Make appropriate entries in the financial statements and/or disclosure in the notes to the accounts in accordance with IAS 10 Events after the Reporting Period.

Research methodology

This topic was studied by following the descriptive approach to clarify the various concepts as well as the analytical approach in order to facilitate the full understanding of the topic by highlighting all its parts.

2. Subsequent events

2.1 The definition of subsequent events

While the financial statements are prepared as at a specific balance sheet date, IASB 10 Events after the Reporting Period requires that the entity give consideration to events that occur between the end of the reporting period and the date when the financial statements are authorised for issue. These events are referred to as "Events after the reporting period" and are further subdivided into "adjusting events" or "non-adjusting events". (The Australian Institute of Company Directors (AICD), Chartered Accountants Australia and New Zealand (CA ANZ) and CPA Australia., 2020, p. 27)

As per IAS 10, "Events after the reporting period are those events, favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue (Conor Foley, B. Comm, 2020, p. 1). This definition, therefore, includes all events occurring between those dates – irrespective of whether they relate to conditions that existed at the end of the reporting period. The principal issue is determining which events after the reporting period are required to be reflected in the financial statements as adjustments, which are material enough to require additional disclosure and which require neither adjustment nor disclosure. (Ernst & Young, 2019, p. 2939)

2.2 Authorisation date

A secondary issue is the cutoff point beyond which the financial statements are considered to be finalised (Alibhai, et al., 2018, p. 442). Given the definition above, the determination of the authorisation date (i.e., the date when the financial statements could be considered legally authorised for issuance, generally by action of the board of directors of the reporting entity) is critical to the concept of events after the reporting period. It serves as the cutoff point after the reporting period, up to which the events after the reporting period are to be examined in order to ascertain whether such events qualify for the treatment prescribed by IAS 10. (Alibhai, et al., 2018, p. 442). The standard observes that the process for authorising financial statements for issue varies depending upon the management structure, statutory requirements and procedures followed in preparing and finalising the financial statements (Ernst & Young, 2019, p. 2940). The date of authorization for issue would normally be the date on which the financial statements are authorized for issue outside the entity. (Greuning, 2006, p. 241)

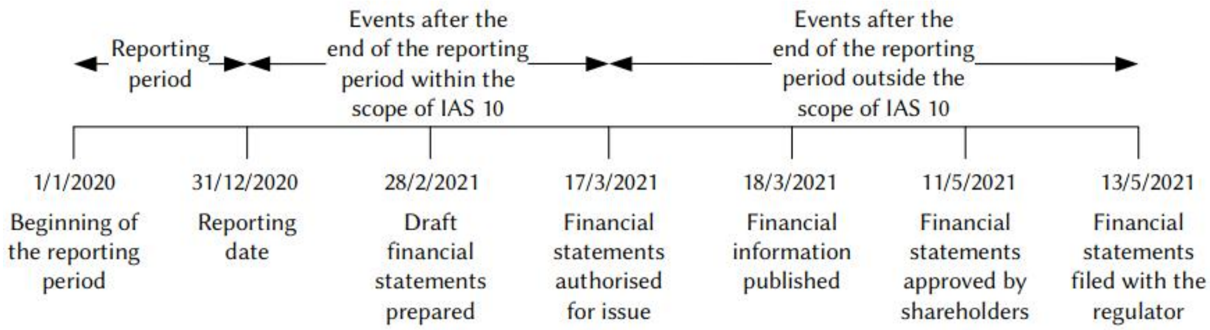
The standard identifies two particular instances of the different meaning of 'authorised for issue' as follows: (International Accounting Standards Board(IASB), 2008, p. 1040)

(a) In some cases, an entity is required to submit its financial statements to its shareholders for approval after the financial statements have been issued. In such cases, the financial statements are authorised for issue on the date of issue, not the date when shareholders approve the financial statements;

(b) In some cases, the management of an entity is required to issue its financial statements to a supervisory board (made up solely of non-executives) for approval. In such cases, the financial statements are authorised for issue when the management authorises them for issue to the supervisory board.

The following timeline illustrates events after the end of the reporting period that are within the scope of IAS 10 for an entity with a 31 December year-end:

Fig.1. Time Periods for Subsequent Events



Source: (Ernst & Young, 2019, p. 2939)

2.3 adjusted and non-adjusted subsequent events

Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period (adjusting events after the reporting period) (Accountants, A. F. Ferguson & Co. Chartered, 2020, p. 13), including the estimates inherent in the process of preparing financial statements (Donald E. Kieso; Jerry J. Weygandt; Terry D. Warfield, 2016, p. 1463). Subsequent events of type 1 are those that reflect conditions that already existed at year end and that may represent a modification of the financial statements of the Company (Rödl & Partner, 2020, p. 1). Material adjusting events will need to be taken into account in determining the amounts included in the financial statements for the period. This is because they shed light on conditions that existed at balance date (The Australian Institute of Company Directors (AICD), Chartered Accountants Australia and New Zealand (CA ANZ) and CPA Australia., 2020, p. 27). All information available prior to the authorization date of the financial statements helps investors and creditors evaluate estimates previously made. To ignore these subsequent events is to pass up an opportunity too improve the accuracy of the financial statements. This first type of event encompasses information that an accountant would have recorded in the accounts had the information been known at the statement of financial position date. (Donald E. Kieso; Jerry J. Weygandt; Terry D. Warfield, 2016, p. 1463).

- Those that are indicative of conditions that arose after the reporting period (non-adjusting events after the reporting period) (Accountants, A. F. Ferguson & Co. Chartered, 2020, p. 13).” Subsequent events of type 2 are those that evidence conditions that did not exist at the year-end and should therefore not lead to a change in the accounts (Rödl & Partner, 2020, p. 1). Material non-adjusting events provide new information about conditions being faced by the entity that did not exist at the balance date and so are only required to be disclosed in the notes to the financial statements. For example, the sale of inventory after year end could provide information about the net realisable value of inventory at year end but the destruction of that inventory in a storm after year end does not impact the inventory's value at balance date (The Australian Institute of Company Directors (AICD), Chartered Accountants Australia and New Zealand (CA ANZ) and CPA Australia., 2020, p. 27). when the events are of such importance that failure to provide information about them could distort the ability of users of the financial statements to evaluate them, the notes to the financial statements should include information about the nature of the subsequent event with an estimate of its effect or, where appropriate, a statement about the impossibility of making such an estimate. (Rödl & Partner, 2020, p. 1) One exception to the general rule of the standard for non-adjusting events is when the going concern basis becomes inappropriate. This is treated as an adjusting event (Ernst & Young, 2019, p. 2940). Many subsequent events or developments do not require adjustment of or disclosure in the financial statements. Typically, these are non-accounting events or conditions that management normally communicates by other means. These events include legislation, product changes, management changes, strikes, unionization, marketing agreements, and loss of important customers. (Donald E. Kieso; Jerry J. Weygandt; Terry D. Warfield, 2016, pp. 1464,1465)

The financial statements of an entity present, among other things, its financial position at the end of the reporting period. Therefore, it is appropriate to adjust the financial statements for all events that offer greater clarity concerning the conditions that existed at the end of the reporting period, that occur prior to the date the financial statements are authorised for issue. The standard requires entities to adjust the amounts recognised in the financial statements for 'adjusting events' that provide evidence of conditions that existed at the end of the reporting period. An entity does not recognise in the financial statements those events that relate to conditions that arose after the reporting period ('non-adjusting events'). However, if non-adjusting events are material (that is, non-disclosure of the event could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements), the standard requires certain disclosures about them. (Ernst & Young, 2019, p. 2939)

2.3.1 Adjusting subsequent events

Examples of adjusting events, given by the standard, are the following: (Alibhai, et al., 2018, p. 444)

- Resolution after the reporting period of a court case that confirms a present obligation requiring either an adjustment to an existing provision or recognition of a provision instead of mere disclosure of a contingent liability;
- Receipt of information after the reporting period indicating that an asset was impaired or that a previous impairment loss needs to be adjusted. For instance, the bankruptcy of a customer subsequent to the end of the reporting period usually confirms that the customer was credit impaired at the end of the reporting period, and the disposal of inventories after the reporting period provides evidence (not always conclusive, however) about their net realisable value at the date of the statement of financial position;
- The determination after the reporting period of the cost of assets purchased, or the proceeds from assets disposed of, before the reporting date;
- The determination subsequent to the end of the reporting period of the amount of profit sharing or bonus payments, where there was a present legal or constructive obligation at the reporting date to make the payments as a result of events before that date; and
- The discovery of frauds or errors, after the reporting period, that show that the financial statements were incorrect at the reporting date before the adjustment.

2.3.2 Non-adjusting subsequent events

An example of a non-adjusting event after the reporting period is a decline in market value of investments between the end of the reporting period and the date when the financial statements are authorised for issue. The decline in market 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. Therefore, an entity does not adjust the amounts recognised in its financial statements for the investments. 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. (International Federation of Accountants (IFAC), 2020, pp. 468, 469)

2.4 Re-issuing (dual dating) financial statements

IFRSs do not address whether and how an entity may amend its financial statements after they have been authorised for issue. Generally, such matters are dealt with in local laws or regulations. (Ernst & Young, 2019, p. 2943)

If an entity re-issues financial statements (whether to correct an error or to include events that occurred after the financial statements were originally authorised for issue), there is a new date of authorisation for issue. The financial statements should then appropriately reflect all adjusting events, by updating the amounts recognised in the financial statements, and non-adjusting events, through additional disclosure, up to the new date of authorisation for issue. (Ernst & Young, 2019, p. 2943)

However, in certain circumstances, the reissuing of previously issued financial statements is required by local regulators particularly for inclusion in public offering and similar documents.Consequently, in November 2012, the Interpretations Committee was asked to clarify the accounting implications of applying IAS 10 when previously issued financial statements are re-issued in connection with an offering document. (Ernst & Young, 2019, p. 2943)

In May 2013, the Interpretations Committee responded that: (Ernst & Young, 2019, p. 2943)

- the scope of IAS 10 is the accounting for, and disclosure of, events after the reporting period and that the objective of this Standard is to prescribe:

  (a) when an entity should adjust its financial statements for events after the reporting period; and

  ((b) the disclosures that an entity should give about the date when the financial statementss were authorised for issue and about events after the reporting period;

- financial statements prepared in accordance with IAS 10 should reflect all adjusting and non-adjusting events up to the date that the financial statements were authorised for issue; and

- IAS 10 does not address the presentation of re-issued financial statements in an offering document when the originally issued financial statements have not been withdrawn, but the re-issued financial statements are provided either as supplementary information or a re-presentation of the original financial statements in an offering document in accordance with regulatory requirements.

The Interpretations Committee decided not to add this issue to its agenda on the basis of the above and because the issue arises in multiple jurisdictions, each with particular securities laws and regulations which may dictate the form for re-presentations of financial statements. (Ernst & Young, 2019, p. 2943)

2.5 Disclosures

The standard also notes that an entity may receive information after the reporting period about conditions existing at the end of the reporting period relating to disclosures made in the financial statements but not affecting the amounts recognised in them. In such cases, the standard requires the entity to update the disclosures that relate to those conditions for the new information. (Ernst & Young, 2019, p. 2948)

IAS 10 indicates that if non-adjusting events are material, non-disclosure could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Accordingly, an entity should disclose the following for each material category of non-adjusting event: (IASC Foundation staff, 2008, p. 1)

(a) the nature of the event; and

(b) an estimate of its financial effect, or a statement that such an estimate cannot be made.

3. Events after the reporting period caused by COVID-19 in accordance with IASs

This scenario implies that the possible effects caused by the pandemic on the annual accounts can be considered as "subsequent events". (Rödl & Partner, 2020, p. 1)

Given the economic environment and the likelihood that events may occur rapidly or unexpectedly, entities should carefully evaluate information that becomes available after the end of the reporting period but before the date of authorisation of the financial statements. (deloitte, 2020, p. 5)

The situation is currently evolving, and management should consider whether the latest developments provide more information about the circumstances that existed at the reporting date. (Accountants, A. F. Ferguson & Co. Chartered, 2020, p. 13)

The assessment process for events after the reporting period will require consideration of the specific impact on the entity, its balance date and the date of signing of its financial statements. (The Australian Institute of Company Directors (AICD), Chartered Accountants Australia and New Zealand (CA ANZ) and CPA Australia., 2020, p. 27)

Uncertain trading conditions are not new and so many entities may already be familiar with identifying some of the more common events after the reporting period such as the impact of fluctuating stock markets on quoted investments or the identification of potentially defaulting debtors. (The Australian Institute of Company Directors (AICD), Chartered Accountants Australia and New Zealand (CA ANZ) and CPA Australia., 2020, p. 27)

The events would not be adjusting events for financial statements having year / period end of December 31, 2019 as the cases of the COVID – 19 were mainly reported in February 2020. Clear disclosure of non-adjusting events is required in entities financial statements (when these are material and for entities having year / period end of December 31, 2019) whose financial statements have not been approved when the impacts of the COVID - 19 were largely discovered. (Accountants, A. F. Ferguson & Co. Chartered, 2020, p. 13)

The effects of the COVID - 19 should be considered as a non adjusting event for the December 31, 2019 proforma financial statements, however, these shall certainly impact the

2020 proforma financial statements. (Accountants, A. F. Ferguson & Co. Chartered, 2020, p. 5)

In general, for the years ended December 31, 2019, the impact caused by COVID-19 should be considered as a subsequent event type 2, requiring a breakdown in the notes to the financial statements. However, for companies whose accounting close is close to or later than the date of the alarm statement, the impact of COVID-19 may be considered a subsequent event type 1 and may give rise to an adjustment in the financial statements, require information in the notes to the financial statements, or both. (Rödl & Partner, 2020, p. 1)

Often the “events” are (1) company-specific; and (2) associated with a specific account that permits a more precise analysis. However, sometimes the “events” are macroeconomic in nature (such as those resulting from COVID-19) and have a pervasive impact on many estimates in a set of financial statements which may make it difficult to ascertain whether such conditions “existed” at the reporting date. The full impact of the COVID-19 pandemic on short-term, medium-term, and long-term economic activity is still unknown, and major developments are occurring frequently. However, COVID-19 will be a factor in an entity’s analysis of estimates made in the preparation of the financial statements, including those related to the expected credit loss on receivables, inventory obsolescence, impairment analyses, variable and contingent consideration estimates, and other factors. Whilst the events stemming from COVID-19 are extremely volatile, entities will nevertheless be required to consider conditions as they existed at the reporting date when evaluating subsequent events. (deloitte, 2020, p. 5)

It may be challenging for an entity to determine if an event after the end of the reporting period is adjusting or non-adjusting in a global marketplace that is extremely volatile and in which major developments occur daily (e.g. announcements of government stimuli and restrictions) and the stock market’s daily reaction to new information. Although entities may not have all facts “on hand” at the reporting date, once such facts are gathered an assessment must be based on conditions as they existed at the reporting date. The amounts in the financial statements must be adjusted only to reflect subsequent events that provide evidence of conditions that existed at the reporting date. With respect to reporting periods ending on or before 31 December 2019, it is generally appropriate to consider that the effects of the COVID-19 outbreak on an entity are the result of events that arose after the reporting date, for example decisions made in response to the COVID-19 outbreak, that may require disclosure in the financial statements, but would not affect the amounts recognised. (deloitte, 2020, p. 2)

For subsequent reporting periods, the effects of the COVID-19 pandemic may affect the recognition and measurement of assets and liabilities in the financial statements. This will be highly dependent on the reporting date, the specific circumstances of the entity's operations and the particular events under consideration. (deloitte, 2020, p. 2)

For subsequent reporting dates, entities will need to judge how much of the impact of COVID-19 should be considered to arise from non-adjusting events. This will be highly dependent on the reporting date, the specific circumstances of the entity's operations and the particular events under consideration. In other words, there is no universal 'flip' point at which entities should view all COVID-19 related impacts to be adjusting events. Instead, each event should be assessed to determine whether it provides evidence of conditions that existed at the end of the reporting period or whether it reflects a change in conditions after the reporting date. (deloitte, 2020, p. 6)

The companies must analyze the impact caused by COVID-19 and indicate in the subsequent fact note the results of their evaluation, as well as the main risks assumed and the measures adopted to deal with the current situation. The content of the note will depend on the specific circumstances of each company and will be affected by, among other factors, the activity carried out, the entity's level of liquidity, the level of indebtedness and the capacity to access new sources of financing if necessary. (Rödl & Partner, 2020, p. 2)

Events after the reporting period, whether adjusting or non-adjusting, may also require inclusion in the entity's consideration of its ability to continue as a going concern (The Australian Institute of Company Directors (AICD), Chartered Accountants Australia and New Zealand (CA ANZ) and CPA Australia., 2020, p. 27). Management should also remember that events after the reporting date that indicate an entity is no longer a going concern are always adjusting events. (Accountants, A. F. Ferguson & Co. Chartered, 2020, p. 9)

It is important to highlight here that many entities may seek rescheduling / restructuring of their financial obligations with the financial institutions. Such rescheduling and restructurings might include requests to the financial institutions to give relaxation in respect of certain loan covenants. Such relaxations for loan covenants should be obtained by entities before the reporting date to continue the existing loan classification between the non-current and current. If there has been a change in classification of loans or other financing facilities as a result of the above situation then waivers obtained by entities from financial institutions after the reporting date are considered as non-adjusting events. (Accountants, A. F. Ferguson & Co. Chartered, 2020, p. 13)

However, the constantly changing conditions and the degree of uncertainty associated with COVID-19 present some specifically COVID-19 related factors that also need consideration including: (The Australian Institute of Company Directors (AICD), Chartered Accountants Australia and New Zealand (CA ANZ) and CPA Australia., 2020, p. 27)

- The cessation or change to any government stimulus packages and when these are announced or applied; and

- The cessation of the safe harbour relief from insolvent trading.

A breach of loan covenants after the reporting date is a non-adjusting event that should be disclosed in the financial statements if the information is material (including the stage of the discussions with lenders to address the breach, if applicable). (deloitte, 2020, p. 33)

3.1 Disclosure requirements related to the subsequent events caused by COVID-19

If management concludes that an event is a non-adjusting event, but the impact of it is material, the entity is required to disclose the nature of the event and an estimate of its financial effect. Such disclosure may include describing qualitatively and quantitatively, how the market volatility subsequent to year-end has affected its stated balances of assets, liabilities, equity and its operations. (Accountants, A. F. Ferguson & Co. Chartered, 2020, p. 13)

Examples of events that would generally result in the disclosures under IAS 10 would include: (Accountants, A. F. Ferguson & Co. Chartered, 2020, pp. 13, 14)

- Management's plans to deal with the effects of the COVID-19 outbreak and whether there is material uncertainty over the entity's ability to continue as a going concern;

- Potential breach of covenants, waivers or modifications of contractual terms in borrowing arrangements;

- supply chain disruptions;

- The assessment of certain purchase or sale agreements as onerous contracts;

- announcing a plan to discontinue an operation or commencing the implementation of, a major restructuring or downsizing (temporarily or permanently);

- declines in the fair value of investments held after the reporting period (e.g., pension plan investments) or other abnormally large changes in asset prices or foreign exchange rates;

- entering into significant commitments or contingencies, such as issuing significant guarantees to related parties; and

- Potential recoverability or expected bad debt issues post year end due to COVID – 19.

A company discloses events that occurred after the reporting date but are not reflected in the financial statements. Determining those subsequent events that should be reflected (adjusting) vs those that are disclosed (non-adjusting) in the financial statements may require judgement. (Gabriela Kegalj, 2020, p. 4)

3.2 Other considerations related to subsequent events caused by COVID-19

3.2.1 Consolidation-Reporting time lags and consistency of accounting policies

IFRS 10 *Consolidated Financial Statements* requires that for purposes of the consolidated financial statements, the reporting date of a subsidiary corresponds to the date of the consolidated financial statements, unless it is impracticable to do so. When this is the case, the parent should consolidate the financial information of the subsidiary using the most recent financial statements of the subsidiary adjusted for the effects of significant transactions or events that occur between the date of those financial statements and the date of the consolidated financial statements. In any case, the difference between the date of the subsidiary's financial statements and that of the parent's financial statements should be no more than three months and the length of the reporting periods and any difference between the dates of the financial statements should be the same from period to period. (deloitte, 2020, p. 27)

IAS 28 *Investments in Associates and Joint Ventures* includes similar requirements in respect of the financial statements of an associate or joint venture that an investor or joint venturer uses when applying the equity method. (deloitte, 2020, p. 27)

In the current circumstances, if there is a time lag between the reporting date of a subsidiary and the consolidated financial statements (or between the reporting date of an equity method investee and the investor) it may be more likely that significant transactions or events will arise in the intervening period which will require adjustments to the financial statements of the subsidiary (or the equity method investee). (deloitte, 2020, p. 27)

Local accounting standard-setters and regulators may have issued additional guidance on or provided reliefs from certain requirements of IFRS Standards in respect of accounting for the effects of COVID-19. When this is the case, the financial statements of subsidiaries, associates and joint ventures would need to be adjusted for the purposes of consolidation and application of equity method of accounting to ensure that uniform accounting policies are applied. (deloitte, 2020, p. 27)

When a subsidiary prepares financial statements for a different reporting period, it is also necessary to review the subsidiary's statement of financial position to ensure that items are still correctly classified as current or non-current at the end of the group's reporting period. For example a breach in covenant that is determined to be a non-adjusting event in the financial statements of a subsidiary may require reclassification of the affected liabilities in the consolidated financial statements if these are prepared at a date after the date of the breach in covenant and if the lender has not waived its right to demand repayment for a period of at least 12 months from the date of the consolidated financial statements. (deloitte, 2020, p. 27)

3.2.2 Interim financial reports

The requirements of IAS 10 addressed in ‘Events after the end of the reporting period’ are also applicable to interim periods. Whilst the impact of the COVID-19 pandemic may have affected the recognition and measurement of items in an entity’s interim financial report, this does not mean that all events after the interim reporting date are adjusting events. Each significant event should be assessed to determine whether it provides evidence of conditions that existed at the end of the interim reporting period or whether it reflects a change in conditions after the end of the interim reporting period. Whilst not specifically required by IAS 34, in the current fast-changing environment, it may be relevant for entities to disclose the date of authorisation of their interim financial reports so that users know that the financial statements do not reflect events after this date. (deloitte, 2020, p. 34)

4. *CONCLUSION*

The World Health Organization made the first statement on COVID-19 on January 20, 2020, announcing that the Chinese government had informed them on December 31, 2019, of the existence of 44 infections. The World Health Organization declared Corona Virus (COVID-19) to be a public health emergency on January 30, 2020. As at March 31, 2020, almost the whole of world is in some state of lock down. The governments have implemented various measures to contain the spread of the COVID - 19, including restricting the flight operations at the airports, curtailing intercity movements through buses and trains, temporary closing of businesses, schools etc.

Such Impacts and other economic consequences also have accounting and financial implications are considered as subsequent events after reporting period that have accounting and financial implications that companies may need to consider when preparing their 2020 financial statements. Whether they are relevant depends on the company’s specific circumstances – i.e. the nature and extent of COVID-19 impacts on the financial position, performance and cash flows of the company.

Considering the dates of the start of the pandemic, given above events are considered as non-adjusted for entities whose accounting close is on 31 December 2019. Because such Events provide evidence about conditions that did not exist at the statement of financial position date but which arise subsequent to that date as a result of the COVID-19 crisis.

In addition to the previously mentioned, we can extract the following results:

- IAS 10 requires preparers of financial statements to review events that occur after the reporting date but before the financial statements have been authorised for issue by the directors to decide whether an adjustment is required to be made to the financial statements or explanatory information is required to be disclosed by way of a note;

- Adjusting events are events after the reporting period that provide additional evidence of conditions that existed at the period-end. Under IAS 10 such information becoming available after the period-end means that the financial statements themselves have to be adjusted provided the information becomes available before the accounts have been approved;

- Non-adjusting events are events occurring after the reporting period that concern conditions that did not exist at the statement of financial position date;

- It is important to consider the date of the period-end, the date when the financial statements are approved and the date when transactions/events occurred;

- The amounts in the financial statements must be adjusted to reflect events after the end of the reporting period that provide evidence of conditions that existed at the end of the reporting period. Events that are indicative of conditions that arose after the reporting period are non-adjusting events. They are not reflected in the recognition or measurement of items in the financial statements, but require disclosure when material;

- With respect to reporting periods ending on or before 31 December 2019, it is generally appropriate to consider that the effects on an entity are the result of events that arose after the reporting date that may require disclosure in the financial statements but would not affect the amounts recognised;

- If non-adjusting events are material, an entity is required to disclose the nature of the event and an estimate of its financial effect. The estimate does not need to be precise. It is preferable to provide a range of estimated effects as an indication of impact to not providing any quantitative information at all. However, where quantitative effect cannot be reasonably estimated, qualitative description should be provided, along with a statement that it is not possible to estimate the effect.

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