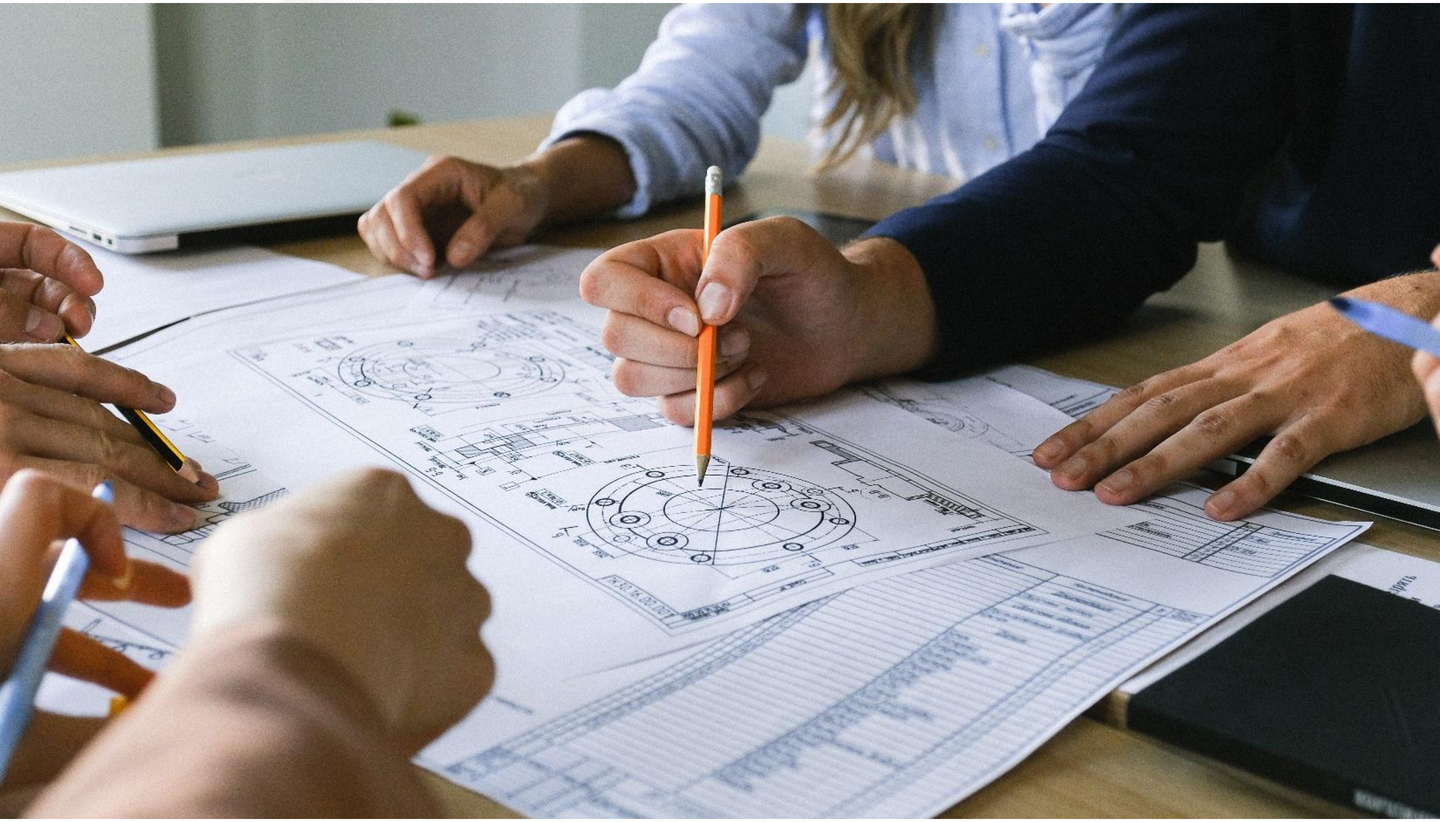

Subsequent Events

and its **Impact on an Entity's Financial Statements**

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What is Subsequent Event?

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*.

- Events type:

a) those that provide evidence of conditions that existed at the end of the reporting period (**adjusting events** after the reporting period); and

b) those that are indicative of conditions that arose after the reporting period (**non-adjusting events** after the reporting period).

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Example of Events to take note of:

- Dividends distribution
- Purchase or disposal of fixed assets
- Natural disaster such as flood, fire which may significantly affect an entity’s business
- Theft
- Closure of business
- Announcement of certain government policy which may significantly affect an entity’s business, such as the recent “Movement Control Order (MCO)”

How do we identify adjusted event or unadjusted event?

Please refer to the following examples.

Example 1:

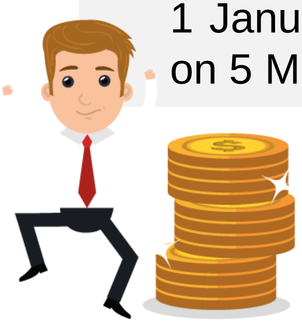
Company X has a financial year end of 31 December 2020.

1. Company X declared dividends to its shareholders on 28 December 2020 and the dividend payment was made on 5 March 2021.

Adjusted Event

2. Company X declared dividends to its shareholders on 1 January 2021 and the dividend payment was made on 5 March 2021.

Unadjusted Event



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How do we identify adjusted event or unadjusted event? *(con't)*

Please refer to the following examples.

Example 2:

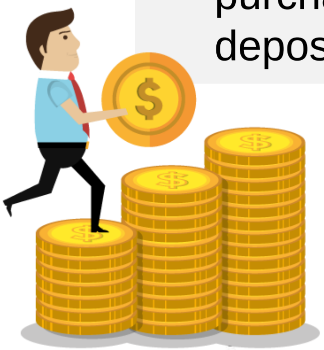
Company Y has a financial year end of 31 December 2020.

3. Company Y signed a sales and purchase agreement to purchase a property on 28 December 2020 and paid deposits on 5 March 2021.

Adjusted Event ✓

4. Company Y signed a sales and purchase agreement to purchase a property on 1 January 2021 and paid deposits on 5 March 2021.

Unadjusted Event ✗



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How does the above events impact an entity's current year's financial statements?

Adjusted Events	Unadjusted Events
1. An entity needs to make necessary adjustments to its accounts in current year's financial statements.	1. An entity does NOT need to make adjustments to its accounts in current year's financial statements.
2. An entity will also need to make disclosures of such events in its financial statements.	2. An entity will ONLY need to make disclosures of such events in its financial statements.

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How does an auditor identify such events?

- Make enquiries with management personnel
- Review of statutory audit documents such as resolution passed, significant agreements signed after an entity’s financial year end before the signing of auditor’s report.
- Review of an entity’s latest management account after financial year end up to the date of signing of financial statements.

Contact Us

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We are pleased to help!

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