STAFF PAPER

IFRS Interpretations Committee Meeting

November 2012

Project	IAS 10 *Events after the Reporting Period*—Reissuing previously issued Financial Statements		
CONTACT(S)	Leonardo Piombino	lpiombino@ifrs.org	+44 (0)20 7246 0571

Introduction

1. In October 2012, the IFRS Interpretations Committee (the Committee) received a request for guidance on the accounting implications of applying IAS 10 *Events After the Reporting Period* when previously issued financial statements are reissued in connection with an offering document. More specifically, the submitter asked the Committee to clarify whether IAS 10 permits only one date of authorisation for issue when considered in the context of reissuing previously issued financial statements in connection with an offering document.

2. We performed outreach with national standard-setters and regulators on this topic in order to find out whether the issue raised by the submitter is widespread and whether significant diversity in practice exists. The results of this outreach are included as part of the staff's analysis of this issue.

3. The submission is reproduced in full in Appendix B to this paper.

Objective

4. The objective of this paper is to:

(a) provide background information on the issue raised in the submission;

(b) provide an analysis of the issue, including a summary of the outreach responses received from national standard-setters and regulators;

(c) present an assessment of the issue against the Committee's agenda criteria and the annual improvements criteria;

(d) make a recommendation that the Committee should propose an amendment to IAS 10; and

(e) ask the Committee whether they agree with the staff recommendation.

Background information

5. Paragraph 3 of IAS 10 defines:

   (a) events after the reporting period as those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue;

   (b) adjusting events as those that provide evidence of conditions that existed at the end of the reporting period; and

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

6. IAS 10 requires an entity:

   (a) to adjust the amounts recognised in its financial statements to reflect adjusting events occurring between the end of the reporting period and the date when the financial statements are authorised for issue; and

   (b) to disclose the material non-adjusting events occurring between the end of the reporting period and the date when the financial statements are authorised for issue.

Staff analysis

Description of the issue

7. In some jurisdictions (eg the USA and Canada), securities laws and regulatory practices require an entity to reissue its previously issued audited annual financial statements in connection with an offering document when the most recently filed interim financial statements reflect matters that are accounted for retrospectively under the applicable accounting standards. For example, an entity that issues IFRS financial statements will reissue its previously issued annual financial statements if:

   (a) it is issuing an offering document in North America markets, and

   (b) in its most recently filed interim financial statements, the entity accounted for retrospectively, in accordance with IFRSs, a change in reportable segments, a restatement of a business combination during the measurement period, the presentation of a discontinued operation, or a change in accounting policy.

8. In these jurisdictions an entity in its reissued financial statements does not recognise events or transactions occurring between the time the financial statements were first issued and the time the financial statements were reissued, unless the adjustment is required by national regulation. This approach is called 'dual dating', because the financial statements include two dates: the date when financial statements were issued and the date when the financial statement were reissued. The presence of two dates on the financial statements (and auditors report), along with an explanatory note included in the financial statements explaining the changes made since the financial statements were first issued, indicates to the reader that these financial statements are re-issued financial statements.

9. The issue is whether IAS 10 permits only one date of authorisation for issue (ie 'dual dating' is not permitted) when considered within the context of reissuing previously issued financial statements in connection with an offering document.

10. The submitter notes that two views exist in practice:

   (a) **View 1—Dual dating is not permitted under IAS 10:** when financial statements are reissued, they are a new set of financial statements for that period and any previously issued set is superseded. IAS 10 requires that

this new set of financial statements has its own date of authorisation for issue. If this view is taken, this new set of financial statements should reflect all adjusting and non-adjusting events in accordance with IAS 10, up to and including the date on which this new set of financial statements is authorised for issue. Consequently, this will include any adjusting events that have occurred between the date that the previous set of financial statements was authorised for issue and the date that this set was authorised for issue.

(b) **View 2—Dual dating is permitted under IAS 10**: IAS 10 is silent on reissue matters and does not explicitly prohibit 'dual dating'. The rationale behind the reissue is to present early the comparative figures that will be included in the following year's financial statements. Accordingly only those adjustments that would ordinarily be made to the comparatives for the following year's financial statements should be made when reissuing the financial statements. These adjustments would include corrections of errors and adjustments for changes in accounting policies, but would not include revisions of estimates that would normally be presented as current period income or expense. If this view is taken, guidance should be added to IAS 10 to explain this approach.

11. We will analyse these views in the following paragraphs.

View 1—Dual dating is not permitted under IAS 10

12. Proponents of this view think that when financial statements are reissued, they are a new set of financial statements for that period and any previously issued set is superseded. IAS 10 requires that this new set of financial statements has its own date of authorisation for issue.

13. In their view, if an entity issues new financial statements for inclusion in a public offering document:

(a) the new set of financial statements needs to explain that an older set of financial statements was issued, but these new ones supersede the old ones. It should also explain when the previous ones were issued and explain what has changed and why these new ones have been issued;

(b) the date of authorisation for issue should reflect the later date;

(c) the amounts recognised in the reissued financial statements should reflect any adjusting events occurring up to the new date of authorisation for issue; and

(d) non-adjusting events occurring up to the new date of authorisation for issue should be disclosed in the notes, in accordance with IAS 10.

View 2— Dual dating is permitted under IAS 10

14. Proponents of View 2 note that IAS 10 does not explicitly prohibit dual dating.

15. They note that if View 1 is applied, the reissued financial statements should reflect all adjusting and non-adjusting events in accordance with IAS 10, including those that occurred in the period between the original and new dates of authorisation for issue. Proponents of View 2 think that this requirement is problematic to apply, because it would deny the existence of the financial statements that have already been filed with the securities regulator and that have been relied on by investors. In other words, they think that View 1 requires management to rewrite history.

16. They think that if View 1 is applied, the effects of events that should be accounted for prospectively, such as changes in accounting estimates, would effectively be pushed back to the prior period annual financial statements, merely because a financial statements has to be reissued within the context of an offering document. This appears to conflict with:

(a) the objective of reissuing the financial statements. The reissued financial statements represent an early restatement of the comparative figures that will be included in the following year's financial statements. Accordingly only those adjustments that would ordinarily be made to the comparatives for the following year's financial statements should be made when reissuing the financial statements; and

(b) IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, as illustrated in Example 1[1] below.

A Canadian listed company with a 31 December year-end authorizes for issue, issues and files with securities regulators its annual audited financial statements each year on 15 March (e.g., 2011 financial statements are filed on 15 March 2012 and 2012 financial statements are filed on 15 March 2013).

The company's financial statements for the year ended 31 December 2011 reflect management's best estimates for two items:

1. A lawsuit filed against the company for patent infringement in 2011 - no accrual was recorded because a legal opinion indicates it is not probable that the company has an obligation as at December 31, 2011, and the company concludes that is it not probable that there will be an outflow of resources to settle this lawsuit.
2. A large account receivable balance with one long-standing customer - no allowance was recorded because it was believed that the full balance will be collected.

Jumping forward in time, the following events occur after 15 March 2012 (the date the 2011 financial statements were authorized for issue and issued and filed) but on or before 15 September 2012:

1. The patent lawsuit is settled for a material amount.
2. The long-standing customer goes bankrupt (and the 31 December 2011 receivable is not collected).
3. Management changes an accounting policy and applies this change retrospectively in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

Assume that the estimates relating to 1 and 2 above in the 2011 financial statements are not errors. Consider the accounting implications in two different 2012 scenarios if the view that IAS 10 permits only one date of authorisation for issue (or prohibits dual dating) is applied to reissuing the 2011 financial statements (i.e., applying the view expressed in Appendix A).

Scenario 1 – An offering document is issued on 15 September 2012 (i.e., after the 30 June 2012 interim financial statements were filed)

The company applies the new accounting policy in its interim financial statements for the three months ended 30 June 2012. These interim financial statements also reflect (i) the loss on settlement of the lawsuit; and (ii) the write-off of the uncollectible account receivable. In accordance with securities regulatory requirements, the 30 June 2012 interim financial statements and the 2011 annual financial statements are included in the offering document. The 2011 annual financial statements are appropriately restated to reflect the change in accounting policy retrospectively. The restated 2011 annual financial statements are therefore reissued on 15 September 2012.

If dual dating is prohibited a new date of authorization (i.e., 15 September 2012) must be used for the restated and reissued financial statements. The restated financial

[1] This example has been provided by the submitter. The same example is in Appendix B of this paper.

statements must now reflect all adjusting events up to the new date of authorization of 15 September 2012. In accordance with IAS 10 paragraph 9, this would seem to require recording the lawsuit settlement and the write-off of the uncollectible account receivable in the 2011 reissued financial statements.

Scenario 2 – No offering document is issued in 2012

As in scenario 1, the 2011 comparative figures are appropriately restated to reflect the change in accounting policy retrospectively. The restated 2011 annual financial statements are not reissued in September 2012 but instead are reissued in March 2013 in comparative form with the 2012 comparative financial statements. The auditor's report on these comparative financial statements expresses an opinion that both the 2011 restated financial statements and the 2012 financial statements are fairly presented in accordance with IFRSs.

17. If View 2 is applied, the appropriate accounting treatment for both scenarios of Example 1 is to reflect the change in the estimates in the 2012 financial statements prospectively in accordance with IAS 8. Proponents of View 2 note that if View 1 is applied the same losses for the lawsuit settlement and the write-off of the uncollectible account receivable would be accounted for twice (ie in the 2011 reissued profit or loss and in the interim profit or loss ended 30 June 2012).

18. Proponents of View 2 think that guidance should be added to IAS 10 to address this issue. They propose to add the following paragraphs[2] to IAS 10:

Reissuance of Financial Statements

13A Some regulatory frameworks require or permit an entity to reissue previously issued financial statements, for example, in reports filed with regulatory agencies or included in a securities offering document. When reissuing financial statements, an entity shall recognise only those events or transactions occurring between the original date the financial statements were authorised for issuance and the date the financial statements are authorised for reissuance when an adjustment is required by other IFRSs. In such circumstances, the entity shall disclose the original date the financial statements were authorised for issue and the date the financial statements were authorised for reissuance when applying the disclosure requirement in paragraph 17. Similarly, when an entity reissues the financial statements in comparative form in subsequent periods, it shall recognise only those events or transactions occurring after the date the financial statements were originally authorised for issuance when an adjustment is required by other IFRSs.

13B The following are examples of events or transactions occurring between the original date the financial statements were authorised for issuance and the date the

[2] This additional guidace has been provided by the submitter

financial statements are authorised for reissuance for which an adjustment is required by other IFRSs:

(a) a change in accounting policy or correction of an error in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.
(b) a restatement of a business combination during the measurement period in accordance with IFRS 3 *Business Combinations.*
(c) a change in reportable segments in accordance with IFRS 8 Operating Segments.
(d) a discontinued operation in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Staff analysis and view

19. The scope of IAS 10 is "*the accounting for, and disclosure of, events after the reporting period"* (IAS 10.2).

20. The events after the reporting period are defined as: "*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"* (IAS 10.3).

21. Taking into consideration the scope of IAS 10 and the definition above, we think that it is implicit in IAS 10 that the financial statements can have only one date of authorisation for issue. In other words, we think that IAS 10 does not address matters of reissue and dual dating because these matters are outside of its scope.

22. Paragraph 1 of IAS 10 states that:

1 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 statements were authorised for issue and about events after the reporting period.

23. We think that to meet its objective, IAS 10 assumes a single date of authorisation for issue (ie addressing matters of reissue and dual dating is not necessary to meet the objective of IAS 10).

24. We think that if a new set of financial statements supersedes the previously issued set of financial statements, the investors will want to know about any adjusting and non-adjusting events occurring up to the new date of authorisation for issue.

However, if the objective is to present how the figures from the last annual report will look when they are included as comparatives in the next annual financial statements (ie the previously issued financial statements is not superseded), then we agree that the approach described in View 2 achieves this, but in that case the information should be described carefully.

Outreach request to national standard-setters and regulators

25. We asked IOSCO, ESMA and national accounting standard-setters to provide us with information on whether the issue raised in the submission:

    (a) is widespread and has practical relevance; and

    (b) indicates that there are significant divergent interpretations (either emerging or existing in practice).

26. In our request we included the information that we have reproduced in Appendix B of this paper. We asked regulators and national standard-setters the following two questions:

    (a) *In your jurisdiction, how common is this issue? If it is common, could you provide us with information that the Committee could use to assess how widespread the issue is?*

    (b) *In your view, is there diversity in reissuing financial statements? Please describe the predominant approach that you observe in your jurisdiction.*

27. We received responses from the following jurisdictions: Asia (5), Americas (5), Europe (6), Oceania (1) and Africa (1).

Is the issue widespread?

28. In ten jurisdictions the issue in not common. We understand that in many jurisdictions the securities law does not require an entity to reissue its financial statements in connection with an offering document.

29. In one jurisdiction, even though the regulation does not require the revision of previously issued financial statements in connection with an offering document,

there are circumstances (eg, financial statements restated to reflect the correction of an error) in which dual dating is allowed.

30. In another jurisdiction the reissue of financial statements is common in cases of regulator enforcement. The first authorisation date is considered to be the valid date for the purposes of IAS 10. Consequently, the reissued financial statements should not reflect adjustments that occurred in the period between the original and the new dates of authorisation for issue.

31. In another jurisdiction, companies applying for an Initial Public Offering reissue their financial statements in order to comply with accounting standards that they were not previously required to implement because had not been listed at the time.

32. In another jurisdiction, some local regulators require previously issued financial statements to be reissued for inclusion in public offering documents. These regulators may require the financial statements to be updated for events that occur between the date of original authorisation and the issue date of the offering document.

33. In four jurisdictions the issue is common.

Is there diversity in practice?

34. In three jurisdictions there is diversity in practice and in another jurisdiction, the respondent thinks that diversity in practice will emerge.

35. In one of these jurisdictions, some issuers do not update the date of authorisation for issue and so no new adjusting events are reflected in the financial statements. Others do update the date of authorisation for issue and so new adjusting events are reflected in the reissued financial statements.

36. In another of these jurisdictions, there are three methods observed in practice: (i) retaining the original date of authorisation; (ii) using dual dates of authorisation; and (iii) applying the new date of authorisation.

37. In one jurisdiction, the respondent thinks that diversity in practice will emerge.

Agenda criteria assessment

38. The staff's preliminary assessment of the agenda criteria is as follows:

(a) *The issue is widespread and has practical relevance.*

Yes. On the basis of our outreach, we understand that the issue is widespread.

(b) *The issue indicates that there are significantly divergent interpretations (either emerging or already existing in practice). The Committee will not add an item to its agenda if IFRSs are clear, with the result that divergent interpretations are not expected in practice.*

Yes. On the basis of our outreach, we expect significant diversity in practice.

(c) *Financial reporting would be improved through elimination of the diverse reporting methods.*

Yes, financial reporting would be improved, because there is divergence in practice.

(d) *The issue can be resolved efficiently within the confines of existing IFRSs and the Framework, and the demands of the interpretation process.*

Yes, the issue can be resolved within the confines of existing IFRSs.

(e) *It is probable that the Committee will be able to reach a consensus on the issue on a timely basis.*

Yes.

(f) *If the issue relates to a current or planned IASB project, there is a pressing need to provide guidance sooner than would be expected from the IASB's activities. The Committee will not add an item to its agenda if an IASB project is expected to resolve the issue in a shorter period than the Committee requires to complete its due process.*

Not applicable. The issue does not relate to a current or planned IASB project.

Assessment against the annual improvements criteria

39. The staff's preliminary assessment of the issue against the annual improvements criteria is as follows:

In planning whether an issue should be addressed by amending IFRSs within the annual improvements project, the IASB assesses the issue against the following criteria. All criteria (a)–(d) must be met to qualify for inclusion in annual improvements.

(a) The proposed amendment has one or both of the following characteristics:

(i) clarifying–the proposed amendment would improve IFRSs by:

- *clarifying unclear wording in existing IFRSs, or providing guidance where an absence of guidance is causing concern.*
- *A clarifying amendment maintains consistency with the existing principles within the applicable IFRSs. It does not propose a new principle, or a change to an existing principle.*

(ii) correcting–the proposed amendment would improve IFRSs by:

- *resolving a conflict between existing requirements of IFRSs and providing a straightforward rationale for which existing requirement should be applied, or.*
- *addressing an oversight or relatively minor unintended consequence of the existing requirements of IFRSs.*

A correcting amendment does not propose a new principle or a change to an existing principle.

Yes. In our view, IAS 10 should be clarified because the absence of specific guidance on matters of reissue is causing divergence in practice.

(b) The proposed amendment is well-defined and sufficiently narrow in scope such that the consequences of the proposed change have been considered.

Yes, the issue is narrow in scope.

(c) *It is probable that the IASB will reach a conclusion on the issue on a timely basis. Inability to reach a conclusion on a timely basis may indicate that the cause of the issue is more fundamental than can be resolved within annual improvements.*

Yes.

(d) *If the proposed amendment would amend IFRSs that are the subject of a current or planned IASB project, there must be a need to make the amendment sooner than the project would.*

Not applicable. The issue does not relate to a current or planned IASB project.

Staff recommendation

40. On the basis of our technical analysis, we think that:

(a) considering the scope and the objective of IAS 10, the standard assumes a single date of authorisation for issue.

(b) IAS 10 does not address matters of reissue and dual dating; and that

(c) the answer depends on what the objective is. If the objective is to present how the figures from the last annual report will look when they are included as comparatives in the next annual financial statements, then we agree with the limits placed on the adjustments made (ie no adjustments for changes in accounting estimates). In that case a clear description of what the information represents need to be given. However, if the objective is to re-present the last annual financial statements (ie the previously issued financial statements is superseded), then we think that all aspects of IFRSs, including an update of subsequent events, would be needed.

41. On the basis of our assessment of the Committee's agenda criteria and the annual improvements criteria, we recommend that the Committee should propose an amendment to IAS 10 in order to clarify that if an entity reissues a new set of financial statements that supersedes the previously issued set of financial statements, the entity should in this new set of financial statements account for any

adjusting events and disclose any non-adjusting events that have occurred between the date that the previous set of financial statements was authorised for issue and the date that this new set was authorised for issue, in accordance with IAS 10. We also think that the proposed amendment should be applied prospectively (ie it should be applied to financial statements reissued after the beginning of the first period for which the entity will adopt the proposed amendment)

42. Our recommended amendment is included in Appendix A of this paper.

Questions for the Interpretations Committee
1. Does the Interpretations Committee agree that, considering the scope and the objective of IAS 10, the Standard assumes a single date of authorisation for issue? 2. Does the Interpretations Committee agree with the staff's recommendation that the Interpretations Committee should propose an amendment to IAS 10 in order to clarify that if an entity reissues a set of financial statements that supersedes a previously issued set of financial statements, the entity should reflect in this new set of financial statements any adjusting and non-adjusting events that have occurred between the date that the previous set of financial statements was authorised for issue and the date that this new set was authorised for issue, in accordance with IAS 10? 3. Does the Interpretations Committee have any comments on the proposed amendment included in Appendix A?

Appendix A— Draft wording of the proposed amendment, showing differences from the currently effective standard

A1 The proposed amendment to IAS 10 is presented below.

Proposed amendments to IAS 10 *Events after the Reporting Period*

After paragraph 16 an heading and paragraph 16A are added. Paragraph 23B is added

Reissuing previously issued financial statements

16A An entity shall apply this standard in accounting for, and disclosure of, events after the reporting period if the entity reissues a set of financial statements that supersedes a previously issued set of financial statements. These events include the events that have occurred between the date that the previous set of financial statements was authorised for issue and the date that the new set of financial statements was authorised for issue.

Effective date

23B *Annual Improvements Cycle* [date] issued in [date] added paragraph 16A. An entity shall apply that amendment prospectively for annual periods beginning on or after [date]. Earlier application is permitted. If an entity applies that amendment for an earlier period it shall disclose that fact.

Basis for Conclusions on proposed amendment to IAS 10 *Events after the Reporting Period*

This Basis for Conclusions accompanies, but is not part of, the proposed amendment.

Reissuing previously issued financial statements

BC1 The IASB was asked to clarify the accounting implications of applying IAS 10 when previously issued financial statements are reissued in connection with an offering document. The issue arose in jurisdictions in which securities laws and regulatory practices require an entity to reissue its previously issued annual financial statements in connection with an offering document when the most recently filed interim financial statements reflect matters that are accounted for retrospectively under the applicable accounting standards. In these jurisdictions securities law and regulatory practices do not require the entity in its reissued financial statements to recognise events or transactions occurring between the time the financial statements were issued and the time the financial statements were reissued, unless the adjustment is required by national regulation.

BC2 The IASB noted that 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 statements were authorised for issue and about events after the reporting period.

BC3 Considering the objective and the scope of IAS 10 the IASB observed that the standard only contemplates a single date of authorisation for issue. The IASB also noted that IAS 10 does not provide guidance regarding reissuing financial statements and that this lack of guidance is causing divergence in practice.

BC4 The IASB proposes that IAS 10 should be amended in order to clarify that if an entity reissues a set of financial statements that supersedes a previously issued set of financial statements, the entity should apply the requirement of IAS 10 in this new set of financial statements to any adjusting and non-adjusting events that have occurred between the date that the previous set of financial statements was authorised for issue and the date that this new set was authorised for issue.

BC5 The IASB proposes that the amendment should be applied to financial statements reissued after the beginning of the first reporting period for which an entity applies this amendment.