

**DRAFT NASCO 9**  
**EVENTS AFTER THE BALANCE SHEET DATE**

**General Provisions**

1. This standard has been prepared in accordance with article 6 of the Accounting Law of Azerbaijan Republic and is based on International Accounting Standard 10 events after the Balance sheet Date.
2. This standard should be used, taking into account the additional provisions contained in Rules of Bookkeeping and also in the Explanations and Recommendations on its Application.
3. In the case of conflict between previous legislation and this standard this standard will prevail.

**Objective**

4. The objective of this Standard is to identify:
  - (a) when an enterprise should adjust its financial statements for events that occur after the balance sheet date; and
  - (b) the additional disclosures that an enterprise should give about the date when the financial statements were formally authorised for issue and about events after the balance sheet date.

The Standard also requires that an enterprise should not prepare its financial statements on a going concern basis if events after the balance sheet date indicate that the going concern assumption is not appropriate.

**Scope**

5. This Standard is to be applied in the accounting for, and disclosure of, events that occur after the balance sheet date.

**Definitions**

6. The following terms are used in this Standard with the meanings specified:

*Events after the balance sheet date* are those events, both favourable and unfavourable, that occur between the balance sheet date and the date when the financial statements are formally authorised for issue. There are two types of events:

  - (a) those that provide evidence of conditions that **existed at** the balance sheet date. These are called "*adjusting events after the balance sheet date*"; and
  - (b) those that relate to conditions that **arose after** the balance sheet date. These are called "*non-adjusting events after the balance sheet date*".

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7. Prior to submission of financial statements to the Ministry of Finance, in accordance with Article 12.1 of the Accounting Law of the Republic of Azerbaijan, these statements must first be approved by the shareholders of the enterprise following consideration by the Board of Directors. For the purpose of this NASCO, the financial statements are formally authorized for issue after approval by the Board of Directors and not at any other later date.
8. Events after the balance sheet date include all events up to the date when the financial statements are formally authorised for issue, even if those events occur after the public announcement of profit or of other selected financial information.

## **Recognition and measurement**

### **Adjusting events after the balance sheet date**

9. An enterprise must adjust the amounts recognised in its financial statements to reflect all adjusting events after the balance sheet date.
10. The following are examples of adjusting events after the balance sheet date that would require an enterprise to adjust the amounts recognised in its financial statements, or to recognise items that were not previously recognised:
  - (a) the settlement after the balance sheet date of a court case that confirms that the enterprise had a present obligation at the balance sheet date. The enterprise will adjust any previously recognised provision related to this court case in accordance with NASCO 10 or, if no provision had been made, it must recognise a new provision.
  - (b) the receipt of information after the balance sheet date showing that an asset was impaired at the balance sheet date, or that the amount of a previously recognised impairment loss for that asset needs to be adjusted. For example:
    - (i) the bankruptcy of a customer that occurs after the balance sheet date usually confirms that a loss existed at the balance sheet date on trade receivables due from that customer and that the enterprise will have to adjust the carrying amount of the trade receivable; and
    - (ii) the sale of inventories after the balance sheet date may give evidence about their net realisable value at the balance sheet date.
  - (c) the determination after the balance sheet date of the cost of assets purchased, or the proceeds from assets sold, before the balance sheet date.
  - (e) the discovery of fraud or errors that show that the financial statements are incorrect.

### **Non-adjusting events after the balance sheet date**

11. An enterprise will not adjust the amounts recognised in its financial statements to reflect non-adjusting events after the balance sheet date.

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- 12.. An example of a non-adjusting event after the balance sheet date is a decline in market value of investments between the balance sheet date and the date when the financial statements are formally authorised for issue. The decline in market value reflects circumstances that have arisen after the balance sheet date and not before it. Therefore, an enterprise will not adjust the amounts recognised in its financial statements for the investments although it may need to give additional disclosure under paragraph 20 of this Standard.

### **Dividends**

- 13.. If an enterprise declares dividends to holders of equity instruments (as defined in NASCO 16: Financial instruments – Disclosure and presentation) after the balance sheet date, those dividends will not be recognized as a liability at the balance sheet date as such a declaration does not meet the criteria of a present obligation contained in NASCO 10.
14. Dividends that are declared after the balance sheet date are to be disclosed in the Notes in accordance with NASCO 1: Presentation of Financial Statements.

### **Going concern**

15. An enterprise will not prepare its financial statements on a going concern basis if management determines after the balance sheet date either that it intends to liquidate the enterprise or to cease trading, or that it has no realistic alternative but to do so.
- 16 Deterioration in the operating results or the financial position of an enterprise after the balance sheet date may indicate a need to consider whether the going concern assumption is still appropriate. If the going concern assumption is no longer appropriate, the effect is so significant that a fundamental change in the basis of accounting is more appropriate, rather than an adjustment to the amounts recognised under the going concern basis of accounting.
17. As a consequence of this, NASCO 1 requires additional disclosures if:
- (a) the financial statements are not prepared on a going concern basis; or
  - (b) management is aware of material uncertainties related to events or conditions that may cast significant doubt upon the enterprise's ability to continue as a going concern. These events or conditions that require disclosure may arise after the balance sheet date.

### **Disclosure**

#### **Date of authorisation for issue**

18. An enterprise must disclose the date when the financial statements were authorised for issue and who gave that authorisation. If the enterprise's owners or others have the power to amend the financial statements after issue, the enterprise must disclose that fact.

#### **Updating disclosure about conditions at the balance sheet date**

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19. If an enterprise receives information after the balance sheet date about conditions that existed at the balance sheet date, it must update disclosures that relate to those conditions, in the light of the new information.
20. In some cases, an enterprise needs to update the disclosures in its financial statements to reflect information received after the balance sheet date, even when the information does not affect the amounts that it recognises in its financial statements. One example of the need to update disclosures is when new evidence becomes available after the balance sheet date about a contingent liability that existed at the balance sheet date. In addition to considering whether it should recognise or change a provision under NASCO 10 *Provisions, Contingent Liabilities and Contingent Assets*, an enterprise must update its disclosures about the contingent liability in the light of that new evidence.

**Non-adjusting events after the balance sheet date**

21. An entity must disclose the following for each material category of non-adjusting event after the balance sheet date:
  - (a) the nature of the event; and
  - (b) an estimate of its financial effect, or a statement that such an estimate cannot be made.
22. The following are examples of non-adjusting events after the balance sheet date that would generally result in disclosure:
  - (b) announcing a plan to discontinue an operation;
  - (c) major purchases of assets or other disposals of assets,
  - (d) the destruction of a major production plant by a fire after the balance sheet date;
  - (e) announcing, or commencing the implementation of, a major restructuring;
  - (f) major ordinary share transactions and potential ordinary share transactions after the balance sheet date requires an entity to disclose a description of such transactions, other than when such transactions involve capitalisation or bonus issues, share splits or reverse share splits;
  - (g) abnormally large changes after the balance sheet date in asset prices or foreign exchange rates;
  - (h) changes in tax rates or tax laws enacted or announced after the balance sheet date that have a significant effect on current and deferred tax assets and liabilities ;
  - (i) entering into significant commitments or contingent liabilities, for example, by issuing significant guarantees; and
  - (j) commencing major litigation arising solely out of events that occurred after the balance sheet date.

**Effective date**

The effective date of this standard is determined by an appropriate order of the Ministry of Finance of the Republic of Azerbaijan.

**Appendix 1 – Comparison of National Accounting Standard for Commercial Organisations No.9 Events after the Balance Sheet date with International Accounting Standard No. 10 Events after the Balance Sheet Date**

The National Accounting Standard for Commercial Organizations (NASCO9) – Events after the Balance Sheet Date is based on International Accounting Standard 10 (including amendments resulting from new and amended IFRSs issued up to 31 December 2005) Events after the Balance Sheet Date.

There are no significant departures from IAS 10 except in the definition of “authorized date”.

The definition of “authorized date” in IAS 10 is wide ranging and attempts to identify this date under a number of different legal approaches. Since the Republic of Azerbaijan has only one requirement and approach for the approval and submission of financial statements, NASCO 9 deals only with the approach applicable in Azerbaijan. Reference to other systems have been deleted.