Subsequent Events

Accounting & Finance

Events after the reporting date, and which ones change the accounts.

Adjusting	Non-adjusting
Condition existed at the reporting date	Condition arose after the date
Customer goes bust — debt was already bad	Fire destroys a warehouse
Inventory sold below cost	Major acquisition announced
Court case settled, obligation confirmed	Share issue after year end
Adjust the figures in the accounts	Disclose only, do not adjust

THE DIFFERENCE THAT MATTERS

The test is not when you learned of it, but when the underlying condition came into existence.

One exception overrides the split: if going concern fails after the date, the accounts are restated entirely.