



Introduction

This guidance has been developed by NSW Treasury to provide some insight on the potential accounting implications for events occurring after balance date in the recent COVID-19 environment. These events could relate to decisions of Government, agency policy responses, or new information about assets and liabilities that exist at 30 June 2020 or arise thereafter.

The guidance only provides a brief summary of the requirements in AASB 110 *Events After Balance Date* (AASB 110), and agencies should refer to AASB 110.

Requirements

Adjusting events after the reporting period - Where an event after balance date provides information about conditions that existed before the end of the financial year, agencies need to **adjust** the financial statements to reflect those conditions [AASB 110.3(a), AASB 110.8].

Non-adjusting events after the reporting period - Where an event after balance date provides information about conditions that arose after the end of the financial year, agencies need to **disclose information** about that event in the financial statements [AASB 110.3(b), AASB 110.10].

Agencies only need to adjust financial statements and/or disclose information about the event where those adjustments or disclosures are **material**. Information is material if it could reasonably be expected to influence decisions that the primary users of the financial statements make on the basis of those financial statements [AASB101.7].

Key decision points:

1. What events have happened after the end of the financial year that have an impact on your agency?
2. Do those events provide evidence of conditions that existed prior to 30 June 2020?
3. Are the impacts on your entity material?

COVID-19 And Post Balance Date Events

The existence of the Covid-19 pandemic itself is not likely to be considered a post-balance date. This is because the pandemic started in December 2019 and was declared by most authorities in February/March 2020.

However, events related to COVID-19 may be post balance date events that agencies would need to consider. For example:

- **New Government Policy or decisions after 30 June 2020.**
Usually new government policy proposals would be non-adjusting events because they do not indicate conditions that existed prior to balance date. However, where information about the

new Government Policy announcement would be material to users of your financial statements, information about that Government Policy announcement should be disclosed in the financial statements.

- ***Changes in conditions that indicate changes in the value of assets and liabilities***

This may be an adjusting or non-adjusting post-balance date event. Judgement is required as to whether the change in conditions provides evidence of conditions that existed before 30 June 2020, or provide evidence of a change in conditions after balance date.

Where agencies obtain or conduct valuations of non-financial assets, it will be particularly important to consider the existence of information that arises after 30 June 2020. Valuations of non-financial assets often use a range of data sources and assumptions and inputs that are not readily observable or directly comparable. In the current environment, information arising after 30 June may reflect greater volatility in, for example market prices for comparable assets, or economic trends relevant to projections of future cash flows. In assessing such information, it is important to distinguish between information that relates to conditions at the balance date, and conditions that have arisen since the balance date. For instance, valuations using the income approach and based on projected cash flows, should be based on reasonable expectations at 30 June. Management will need to consider whether significantly different evidence received post-June is new information, in which case this is likely a non-adjusting event.

- ***Suppliers, customers or partners that are experiencing economic hardship***

This may be an adjusting post balance date event, where the economic hardship experienced by suppliers, customers or partners indicates the assumptions or evidence that financial statements and disclosures are based on were incorrect. For example, where a debtor experiences economic hardship after the reporting date, this may provide evidence that the related receivable was impaired at the reporting date.

- ***Negotiations with counterparties in arrangements such as service concession arrangements***

Negotiations with third parties after 30 June, may be evidence of adjusting or non-adjusting post-balance date events. For example, negotiations to compensate a third-party for non-performance before 30 June due to Covid-19, would likely be evidence of an adjusting event. Negotiations to amend future obligations under an agreement with a counterparty, would likely be a non-adjusting event, if material.

- ***Announcements of Machinery of Government (MoG) Changes***

As with new government policy proposals, MoG changes are likely to be non-adjusting events, because they do not indicate conditions that existed prior to balance date. However, where MoG changes indicate changes to your agency that are material to users of your financial statements, information about the MoG change should be disclosed in your financial statements.



Examples of significant events related to COVID that agencies should consider:

- New information about COVID, including patterns of spread, new treatments or preventions, updates on severity and risk factors.
- New announcements about restrictions on movement or business.
- New announcements about new government relief, changes to government relief or cessation of government relief.
- Economic data that directly or indirectly impacts assumptions and inputs into asset and liability measurements, such as cash flow projections.
- Market data and evidence that directly or indirectly impacts assumptions and inputs into asset and liability measurements, such as cash flow projections.

Disclosures

Agencies should refer to AASB 110 for the full disclosure requirements. However, in summary:

- For adjusting events, all relevant disclosures should be updated for the new information [AASB 102.19].
- For non-adjusting events, disclosure by material category of:
 - (a) the nature of the event; and
 - (b) an estimate of its financial effect, or a statement that such an estimate cannot be made [AASB 110.21].

Agencies should also consider whether additional disclosures are required under AASB 101 *Presentation of Financial Statements* (AASB 101). In particular, disclosures are required in respect of professional judgement and estimation uncertainty [AASB 101.122 and 125].