

Approved by the decree № İ -73/1
dated 23 July 2007,
Ministry of Finance of the Republic of Azerbaijan

**NATIONAL ACCOUNTING STANDARD FOR
COMMERCIAL ORGANIZATIONS №9
«EVENTS AFTER THE BALANCE SHEET
DATE»**

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National Accounting Standard for Commercial Organizations №9 «Events after the Balance Sheet Date»

GENERAL PROVISIONS

Purpose of the Standard

1. This Standard has been prepared in accordance with the Accounting Law of Azerbaijan Republic and is based on International Accounting Standard 10 Events after the Balance Sheet Date

Objective

2. The objective of this Standard is to prescribe:
 - (a) when an entity should adjust its financial statements as a consequence of events that occur after the balance sheet date; 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 balance sheet date.

The Standard also requires that an entity 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

3. This Standard will be applied by all types of commercial enterprise that prepare financial statements in accordance with Article 10 of the Accounting Law of the Azerbaijan Republic, taking into account the additional provisions contained in the Explanations and Recommendations on its Application
4. In the case of contradictions between effective normative-legal Acts on accounting regulation and this National Accounting Standard, the National Accounting Standard should be applied.
5. This Standard shall be applied in the accounting for, and disclosure of, events 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, favourable and unfavourable, that occur between the balance sheet date and the date when the financial statements are authorised for issue. Two types of events are identified:

 - (a) those that provide evidence of conditions that existed at the balance sheet date (and are called *adjusting events after the balance sheet date*); and
 - (b) those that are indicative of conditions that arose after the balance sheet date (and are called *non-adjusting events after the balance sheet date*).
7. Events after the balance sheet date include all events up to the date when the financial statements are 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

8. An entity shall adjust the amounts recognised in its financial statements to reflect adjusting events after the balance sheet date.
9. The following are examples of adjusting events after the balance sheet date that require an entity 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 entity had a present obligation at the balance sheet date. The entity adjusts any previously recognised provision related to this court case in accordance with [NASCO 10 Provisions, Contingent Liabilities and Contingent Assets](#) or recognises a new provision.
 - (b) the receipt of information after the balance sheet date indicating 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 a trade receivable and that the entity needs 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.
 - (d) the discovery of fraud or errors that show that the financial statements are incorrect.

Non-adjusting events after the balance sheet date

10. An entity shall not adjust the amounts recognised in its financial statements to reflect non-adjusting events after the balance sheet date.

DIVIDENDS

11. If an entity declares dividends to holders of equity instruments (as defined in [NASCO 15 Financial Instruments: Disclosure and Presentation](#)) after the balance sheet date, the entity shall not recognise those dividends as a liability at the balance sheet date.

Going concern

12. An entity shall not prepare its financial statements on a going concern basis if management decides after the balance sheet date either that it intends to liquidate the entity or to cease trading, or that it has no realistic alternative but to do so.
13. If there is a serious deterioration in operating results and financial position after the balance sheet date, this may indicate a need to consider whether the going concern assumption is still appropriate. If the going concern assumption is no longer appropriate, this Standard requires a fundamental change in the basis of accounting, rather than an adjustment to the amounts recognised within the original basis of accounting.
14. [NASCO 1](#) specifies required 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 entity's ability to continue as a going concern. The events or conditions requiring disclosure may arise after the balance sheet date.

DISCLOSURE

Date of authorisation for issue

15. An entity shall disclose the date when the financial statements were authorised for issue and who gave that authorisation.

Updating disclosure about conditions at the balance sheet date

16. If an entity receives information after the balance sheet date about conditions that existed at the balance sheet date, it shall update disclosures that relate to those conditions, in the light of the new information.
17. In some cases, an entity 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.

Non-adjusting events after the balance sheet date

18. An entity shall 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.
19. The following are examples of non-adjusting events after the balance sheet date that would generally result in disclosure:
- (a) announcing a plan to discontinue an operation;
 - (b) establishing major relations on purchases of assets,
 - (c) the destruction of a major production plant by a fire after the balance sheet date;
 - (d) announcing, or commencing the implementation of, a major restructuring
 - (e) 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 all of which are required to be adjusted;
 - (f) abnormally large changes after the balance sheet date in asset prices or foreign exchange rates;
 - (g) 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;
 - (h) entering into significant commitments or contingent liabilities, for example, by issuing significant guarantees; and
 - (i) commencing major litigation arising solely out of events that occurred after the balance sheet date.

EFFECTIVE DATE

20. The National Standard for Commercial Organisations becomes operative after the date determined by the Minister of Finance of the Azerbaijan Republic

Appendix 1 - Comparison with IAS 10

This National Accounting Standard for Commercial Organisations (NASCO) 9 Events after the Balance Sheet Date is drawn primarily from International Accounting Standard (IAS) 10 (2006) – Events after the Balance Sheet Date. The main differences between NASCO 9 and IAS 10 are as follows:

- There are no significant differences between NASCO 9 and IAS 10
- Paragraph 1 is added to NASCO 9 and relates the standard to the Accounting Law. IAS 10 does not contain such a section.
- Paragraphs 3,4, 5 of NASCO 9 define the scope of the organisations required to apply the standard as set out in the Accounting Law. IAS 10 does not contain such a section.
- IAS 10 contains a number of illustrative examples and introductions. In line with established policy, all examples have been removed from NASCO 9 and will be covered in the Explanations document
- Some paragraphs of NASCO 9 have used simpler phrases (in English) to make the meaning clearer