

STAFF PAPER

June 2021

IASB® meeting

Project	Preparation of Financial Statements when an Entity is No Longer a Going Concern (IAS 10)		
Paper topic	Finalisation of agenda decision		
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Introduction and purpose

1. At its June 2021 meeting, the IFRS Interpretations Committee (Committee) decided not to add a standard-setting project to the work plan in response to a submission about the accounting applied by an entity that is no longer a going concern. The Committee instead decided to finalise an agenda decision.
2. The purpose of this meeting is to ask Board members whether they object to the agenda decision, as required by paragraph 8.7 of the IFRS Foundation [Due Process Handbook](#).

Background

3. The submission asked whether an entity that is no longer a going concern:
 - (a) can prepare financial statements for prior periods on a going concern basis if it was a going concern in those periods and has not previously prepared financial statements for those periods (Question I); and
 - (b) restates comparative information to reflect the basis of accounting used in preparing the current period's financial statements if it had previously issued financial statements for the comparative period on a going concern basis (Question II).

4. In February 2021, the Committee discussed the submission and decided to publish a [tentative agenda decision](#), having observed:
- (a) that, applying paragraph 25 of IAS 1 *Presentation of Financial Statements* and paragraph 14 of IAS 10 *Events after the Reporting Period*, an entity that is no longer a going concern cannot prepare financial statements (including those for prior periods that have not yet been authorised for issue) on a going concern basis. Accordingly, for Question I the Committee concluded that the principles and requirements in IFRS Standards provide an adequate basis for an entity that is no longer a going concern to determine whether it prepares its financial statements on a going concern basis.
 - (b) based on its research, no diversity in the application of IFRS Standards with respect to Question II. The evidence suggested that entities do not restate comparative information to reflect the basis of preparation used in the current period when they first prepare financial statements on a basis that is not a going concern basis. Therefore, the Committee had not obtained evidence that the matter has widespread effect.

Overview of feedback on the tentative agenda decision

5. The Committee received 16 comment letters on its tentative agenda decision by the comment letter deadline.
6. Most respondents generally agreed with the Committee’s analysis and conclusions in the tentative agenda decision. However, some disagreed with aspects of the tentative agenda decision and/or requested clarifications. In particular:
- (a) regarding Question I:
 - (i) a few respondents said preparing financial statements for prior periods on a non-going concern basis could be impractical, require undue cost or effort and might not provide useful information to users of financial statements.
 - (ii) one respondent said the entity described in the fact pattern should assess the going concern assumption at the end of the

reporting period for which financial statements are being prepared and not when preparing the financial statements. The respondent also asked about the implications of the Committee’s conclusions for financial statements of entities established for defined periods.

- (b) regarding Question II, some respondents explained why, applying IFRS Standards, entities should not restate comparative information. In addition, a few respondents suggested clarifications to the tentative agenda decision.
7. The Committee considered this feedback and confirmed the analysis and conclusions in the tentative agenda decision.¹ The Committee made some changes to the wording of the tentative agenda decision, namely to remove the statement about observed practice in Question 2. This change did not change the overall structure or conclusions in the agenda decision, but rather was made to avoid possible misunderstanding.
 8. Thirteen of 14 Committee members voted to finalise the agenda decision.
 9. Appendix A to this paper includes the wording of the agenda decision, approved by the Committee.

Questions for the Board

Do Board members object to the Committee’s:

- (a) decision that a standard-setting project should not be added to the work plan; and
- (b) conclusion that the agenda decision does not add or change requirements in IFRS Standards?

¹ [Agenda Paper 3](#) to the Committee’s June 2021 meeting analyses comments received.

Appendix A—The Agenda Decision

A1. The Agenda Decision below was approved by the Committee at its June 2021 meeting.

Preparation of Financial Statements when an Entity is No Longer a Going Concern (IAS 10 *Events after the Reporting Period*)

The Committee received a request about the accounting applied by an entity that is no longer a going concern (as described in paragraph 25 of IAS 1 *Presentation of Financial Statements*). The request asked whether such an entity:

- (a) can prepare financial statements for prior periods on a going concern basis if it was a going concern in those periods and has not previously prepared financial statements for those periods (Question I); and
- (b) restates comparative information to reflect the basis of accounting used in preparing the current period's financial statements if it had previously issued financial statements for the comparative period on a going concern basis (Question II).

Question I

Paragraph 25 of IAS 1 requires an entity to prepare financial statements on a going concern basis 'unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so'. Paragraph 14 of IAS 10 states that 'an entity shall not prepare its financial statements on a going concern basis if management determines after the reporting period either that it intends to liquidate the entity or to cease trading, or that it has no realistic alternative but to do so'.

Applying paragraph 25 of IAS 1 and paragraph 14 of IAS 10, an entity that is no longer a going concern cannot prepare financial statements (including those for prior periods that have not yet been authorised for issue) on a going concern basis.

The Committee therefore concluded that the principles and requirements in IFRS Standards provide an adequate basis for an entity that is no longer a going concern to determine whether it prepares its financial statements on a going concern basis.

Question II

Based on its research, the Committee observed no diversity in the application of IFRS Standards with respect to Question II. Therefore, the Committee has not obtained evidence that the matter has widespread effect.

For the reasons noted above, the Committee decided not to add a standard-setting project on these matters to the work plan.