

## STAFF PAPER

June 2021

## IFRS® Interpretations Committee meeting

<b>Project</b>	<b>Preparation of Financial Statements when an Entity is No Longer a Going Concern (IAS 10)</b>		
<b>Paper topic</b>	Comment letters		
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This paper has been prepared for discussion at a public meeting of the IFRS Interpretations Committee (Committee) and does not represent the views of the International Accounting Standards Board (Board), the Committee or any individual member of the Board or the Committee. Comments on the application of IFRS Standards do not purport to set out acceptable or unacceptable application of IFRS Standards. Decisions by the Board are made in public and reported in IASB® *Update*. Decisions by the Committee are made in public and reported in IFRIC® *Update*.

## Introduction

1. This paper reproduces comment letters on the IFRS Interpretations Committee's tentative agenda decision 'Preparation of Financial Statements when an Entity is No Longer a Going Concern (IAS 10)' published in February 2021.

International Financial Reporting Standards Interpretations  
Committee  
Columbus Building  
7 Westferry Circus  
Canary Wharf  
London  
E14 4HD

5 March 2021

Dear IFRS Interpretations Committee members,

**Invitation to comment - Tentative Agenda Decision: *Preparation of Financial Statements when an Entity is No Longer a Going Concern (IAS 10 Events after the Reporting Period)* (IFRIC Update February 2021 - Agenda Paper 4)**

Ernst & Young Global Limited, the central coordinating entity of the global EY organisation, welcomes the opportunity to offer its views on the above Tentative Agenda Decision (TAD) discussed by the IFRS Interpretations Committee (the IFRS IC) in February 2021.

The IFRS IC discussed the questions “whether an entity that is no longer a going concern can prepare financial statements for prior periods on a going concern basis if it was a going concern in those periods and had not previously prepared financial statements for those periods and, whether an entity restates comparative information in respect of the preceding period to reflect the basis of accounting used in preparing the current period’s financial statements if it had previously prepared financial statements for that preceding period on a going concern basis”.

Overall, we support the IFRS IC’s decision. However, we would like to highlight one aspect of it that we believe requires clarification to avoid the final agenda decision being misinterpreted.

In response to question II, the TAD states 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 (...)” Given that the TAD does not address whether comparative information is required in a non-going concern set of financial statements, we consider that the reference to comparative information could be misinterpreted to read that there is a requirement for such comparative information. IFRS does not address bases other than the going concern basis, and, thus, IFRS does not prescribe whether such financial statements should include comparative information or not.

Assuming that the IFRS IC did not intend to suggest that there is a requirement to include comparatives in financial statements prepared on a basis other than going concern, we would ask the Committee to clarify in the final agenda decision that the guidance provided only applies if an entity that prepares financial statements on a basis other than going concern, decides to include comparative information.

In order to mitigate our concern, the second question in the TAD may be revised to acknowledge the presentation of comparative information in financial statements prepared on a basis other than going concern, as follows (proposed edits in bold):

“The request asked whether such an entity:

(a) (...) (Question I).

(b) restates **any** comparative information **presented** 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).”

Should you wish to discuss the contents of this letter with us, please contact Leo van der Tas at the above address or on +44 (0) 20 7951 3152.

Yours faithfully

*Ernst + Young Global Limited*

**Name:** Sounder Rajan SP

**Subject:** Comments on Tentative Agenda Decision and comment letters: Preparation of Financial Statements when an Entity is No Longer a Going Concern (IAS 10)

- 1) I welcome the opportunity provided for sending comments on Tentative Agenda Decision and comment letters: Preparation of Financial Statements when an Entity is No Longer a Going Concern (IAS 10)
- 2) I support the International Accounting Standard's Board to clarify accounting and disclosures in respect of entity which is no longer a going concern.

**Question 1:-**

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).

**Comments:-**

I concur with the conclusion as per exposure draft

**Question 2:-**

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).

**Comments:-**

In my opinion it would not be appropriate to restate comparative number/information because

- Event was not in existence as of previous year
- If previous year numbers are change impact of change in method of accounting will get adjusted in statement of profit & loss of previous year, affecting previous year earning, which is not appropriate, leads to wrong disclosure of previous year & current year profit
- It will also affect the disclosure of previous year, existing analysis of all investors, bankers etc.,
- Subsequent event of current year doesn't require any changes in previous year as the event was not in existence as per IAS 10, it was not even indicative as of previous year.
- If previous year is changed it could be interpreted that previously reported numbers are wrong and impacting audit report of previous year, tax of previous years and all regulatory filings of previous year

I concur that views stated above are my individual opinion and not of any organization where I am working or not of any committee or organization I am connect with.

**Regards**

Sounder Rajan



March 19, 2021

International Accounting Standards Board  
IFRS Interpretations Committee  
Columbus Building  
7 Westferry Circus  
Canary Wharf  
London E14 4HD  
United Kingdom

Dear Committee Members:

Consejo Mexicano de Normas de Información Financiera (CINIF), the accounting standard setting body in Mexico, welcomes the opportunity to submit its comments on the Tentative Agenda Decision of the IFRS Interpretations Committee (the Committee) on *Preparation of Financial Statements when an Entity is No Longer a Going Concern* (the TAD), issued for comments in February 2021. Set forth below you will find our comments on the conclusions reached in the TAD.

### **Overall comments**

We agree with the conclusions reached by the Committee in the TAD, both with respect to the technical conclusions and the decision not to add a standard-setting project to the work plan of the IASB.

### **Specific comments**

The Committee received a request about the accounting applied by an entity that is no longer a going concern. The request dealt with two situations:

1. The first situation asks whether an entity 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.
2. The second situation asks whether an entity is required to restate 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.

#### *Prior year financial statements have not been prepared*

First of all, we cannot imagine a situation in which the financial statements of the prior years would actually be useful now that the entity is no longer a going concern. Additionally, the improbability of this situation is derived from the fact that for local purposes, Mexican business law requires the preparation of annual financial statements, at least for income tax purposes.

Nevertheless, if that were the case, knowing the entity is no longer a going concern, the first-time

preparation of such financial statements on a going concern basis does not seem logical, reasonable or appropriate. Such financial statements would appear to have little or no value.

We also discussed the fact that if the entity has not prepared financial statements for at least three years, this could be evidence of the questionable viability of the entity and potentially an indicator of going concern problems for all three years, thereby corroborating the appropriateness of preparing financial statements on the liquidation basis for all three years.

We discussed a variation of the situation described in the TAD in which financial statements for the prior years had actually been prepared for internal use but not authorized for issuance for the use of third parties. IAS 10 is clear that the date the financial statements are authorized for issuance is the key date. As a result, having prepared the financial statement but not authorized them for publication, brings you to the same conclusion that the prior year financial statements on a going concern basis would appear to have little or no value.

*Prior year financial statements had been issued*

In this case there is unanimous agreement with the conclusion that there is no requirement to restate prior year financial statements that had been previously issued on a going concern basis.

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Should you require additional information on our comments listed above, please contact William A. Biese at (52) 55-5433-3070 or me at (52) 55-5403-8309 or by e-mail at [wbiese@cinif.org.mx](mailto:wbiese@cinif.org.mx) or [egarcia@cinif.org.mx](mailto:egarcia@cinif.org.mx), respectively.

Sincerely,



C.P.C. Elsa Beatriz García Bojorges  
President of the Mexican Financial Reporting Standards Board  
Consejo Mexicano de Normas de Información Financiera (CINIF)

Cc: Mr. Tadeu Cendon



IFRS Interpretations Committee  
IFRS Foundation  
Columbus Building  
7 Westferry Circus  
London  
E14 4HD

26 March, 2021

**Subject: Tentative Agenda Decision - Preparation of Financial Statements when an Entity is No Longer a Going Concern (IAS 10)**

Dear IFRS Interpretations Committee:

On behalf of the International Air Transport Association's ("IATA") Industry Accounting Working Group ("IAWG"), we are writing to comment on the Tentative Agenda Decision - Preparation of Financial Statements when an Entity is No Longer a Going Concern ("TAD") issued in February 2021.

IAWG is made up of senior finance professionals of major airlines and represents over 290 IATA member airlines.

The first question raised to the Committee was whether an entity 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.

The Committee cited the following:

- Paragraph 25 of IAS 1 that 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'; and
- Paragraph 14 of IAS 10 that states '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'.

The Committee concluded that therefore an entity that is no longer a going concern cannot prepare financial statements (including those for prior periods that have not yet been authorized for issue) on a going concern basis. IAWG agrees that the plain language in those paragraphs clearly support the conclusion in the TAG. Nevertheless, IAWG disagrees with the conclusion for both technical and practical reasons.



It is clear that the Committee assessed the going concern issue in the present for every reporting period and not at the end of each reporting period. Paragraph 26 of IAS 1 states that in assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period.

That language indicates that the going concern assessment is made for at least twelve months from the end of the reporting period. If prior years are assessed twelve months from the end of the reporting period it would be known that the entity continued operations for at least twelve more months. In our view, the going concern assumption as described in the standard would be satisfied for the prior years.

If all entities were required to literally apply paragraph 14 of IAS 10 then entities established for defined periods such as many structured entities related to tax structures, funds, securitizations, and leases, would meet the condition that management intends to liquidate the entity or to cease trading. Clearly this is not practice, nor was it the intent of the standard to capture these entities. The intent was to capture entities that would meet this condition during the next reporting period. As we know in the fact pattern provided that the entity continued as a going concern for the next reporting period it is inconsistent that the accounts are prepared on another basis of accounting.

From a practical standpoint, we question the value of the prior year information being prepared on a liquidation basis. In response to question two, the Committee indicated that comparative information is not restated for prior years when an entity previously prepared the information as a going concern. Therefore, comparability would not be a factor. We would not see users benefitting from this information regardless of the basis of accounting due to the untimeliness and presence of more current information.

Furthermore, the entity would be burdened with having to estimate liquidation values for past periods rather than use the information that was relevant to those periods where they operated as a going concern. These retrospective values may result in violations of covenants, laws, contracts and director obligations (in particular, where directors have since changed) even when those values would not have been relevant during those periods and would not have been reasonably considered. We believe the approach described in the TAD would therefore be inconsistent with the principles of relevance and faithful representation.

We do agree with all other aspects of the TAD.

If you would like to discuss our comments further, please do not hesitate to contact Thomas Egan, IAWG Accounting Technical Expert at [egant@iata.org](mailto:egant@iata.org).





Yours sincerely,

A handwritten signature in black ink, appearing to read "Thomas Stellpflug".

Thomas Stellpflug  
Chairman  
IATA IAWG

A handwritten signature in blue ink, appearing to read "Donal Cahalan".

Donal Cahalan  
Vice-Chairman  
IATA IAWG



**Australian Government**  
**Australian Accounting  
Standards Board**

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**Postal Address**  
PO Box 204  
Collins Street West VIC 8007  
Telephone: (03) 9617 7600

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Ms Sue Lloyd  
Chair  
IFRS Interpretations Committee  
IFRS Foundation  
7 Westferry Circus  
Canary Wharf London

26 March 2021,

Dear Sue,

***Tentative Agenda Decision Preparation of Financial Statements when an Entity is No Longer a Going Concern (IAS 10)***

The Australian Accounting Standards Board (AASB) is pleased to provide comments on the IFRS IC's tentative agenda decision on the *Preparation of Financial Statements when an Entity is No Longer a Going Concern (IAS 10)*.

The AASB agrees with the conclusions reached by the Committee as expressed in the tentative agenda decision and supports finalisation of the decision.

In this context, we note that the AASB is currently undertaking outreach to examine whether the current lack of guidance for the preparation of financial statements for entities that are no longer a going concern in the accounting standards is of concern to stakeholders. The AASB intends to publish the findings from this outreach as a Thought Leadership paper later this year and will share it with the IASB once finalised.

If you have any questions regarding this letter, please contact me ([kkendall@asb.gov.au](mailto:kkendall@asb.gov.au)) or Nikole Gyles ([ngyles@asb.gov.au](mailto:ngyles@asb.gov.au)).

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Kendall'.

Dr. Keith Kendall  
AASB Chair

## Preparation of Financial Statements when an Entity is No Longer a Going Concern (IAS 10)

In view of this subject:

Background:

Paragraph 15 of IAS 10 states that “If the going concern assumption is no longer appropriate, *the effect is so pervasive that 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.”

Similar wording is found in IFRS for SMEs 3.9 provides that “[entity] shall disclose ....., *together with the basis on which it prepared the financial statements*”.

My query is:

1. What is the *basis of accounting* to be used (*basis on which to prepare the financial statements*) when going concern assumption is no longer appropriate?
2. What are the items of the financial statements that should be changed (if any) – what are the steps to be taken by an accountant (financial statement preparer) e.g.:
  - a. should you continue using the historical cost basis or use the fair value model for all items in the balance sheet?
  - b. Do you continue applying requirements of the IFRS, or can you depart, and if so to what extent?
  - c. Should impairment of assets be done?
  - d. Should assets earmarked to disposal (post balance sheet) be classified as held for sale?
  - e. Should a operation earmarked to discontinuation (post balance sheet) be classified as discontinued operations?
  - f. Should any potential liabilities (costs) be included (accrued) in the financial statements e.g., liquidation / administration costs, litigation costs etc?
  - g. What other factors should be considered in preparing the financial statements beyond making disclosures

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### Tentative Agenda Decision

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).
- 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—**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 has not [yet] 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.

### IFRS FOR SMES 3.9

When an entity does not prepare financial statements on a going concern basis, it shall disclose that fact, **together with the basis on which it prepared the financial statements** and the reason why the entity is not regarded as a going concern.

An entity is a going concern unless management either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

## IAS 10

### Going concern

14. 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.

15. Deterioration in operating results and financial position after the reporting period 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 pervasive that 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.

16 IAS 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 reporting period.

### Going concern

When preparing financial statements, management shall make an assessment of an entity's ability to continue as a going concern. An entity shall 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. When management is aware, in making its assessment, 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 entity shall disclose those uncertainties**. When an entity **does not prepare financial statements on a going concern basis**, it shall disclose that fact, together with the basis on which it prepared the financial statements and the reason why the entity is not regarded as a going concern.

In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. The degree of consideration depends on the facts in each case. When an entity has a history of profitable operations and ready access to financial resources, the entity may reach a conclusion that the going concern basis of accounting is appropriate without detailed analysis. In other cases, management may need to consider a wide range of factors relating to current and expected profitability, debt repayment schedules and potential sources of replacement financing before it can satisfy itself that the going concern basis is appropriate.

Rio de Janeiro, April 07, 2021

CONTRIB 0015/2021

Ms. Lloyd, Chair  
IFRS Interpretations Committee  
Columbus Building  
7 Westferry Circus  
Canary Wharf  
London E14 4HD, United Kingdom

Subject: Preparation of Financial Statements when an Entity is No Longer a Going Concern (IAS 10)

Reference: Tentative Agenda Decision (TAD)

Dear Ms. Lloyd,

Petrobras welcomes the opportunity to comment on the IFRS Interpretations Committee's Tentative Agenda Decision - Preparation of Financial Statements when an Entity is No Longer a Going Concern (IAS 10). We believe this is an important opportunity for all parties interested in the future of IFRS and we hope to contribute to the progress of the Committee's activities.

We agree with the Committee that the principles and requirements in IFRS Standards provide an adequate basis to answer question I.

Regarding question II, we noted that in accordance with the February 2021 Agenda Paper 3, the IFRS Standards are silent regarding the restatement of comparative information in financial statements prepared on a non-going concern basis. We also observed in such document that a research of financial statements available in English issued by publicly-listed IFRS reporters that prepare financial statements on a non-going concern basis did not identify any entity that restated comparative information to reflect the non-going concern basis.

We do not disagree with the Committee's decision not to add a standard-setting project related to question II to the work plan. However, we respectfully suggest excluding the following text in brackets from the final Agenda Decision **[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]**. [emphasis added].

We believe the exclusion of the aforementioned text may avoid potential for confusion because such text may be viewed as a material that explains how to apply IFRS Standards to the fact pattern described in the agenda decision.

If you have any questions in relation to the content of this letter, please do not hesitate to contact us ([cc-contrib@petrobras.com.br](mailto:cc-contrib@petrobras.com.br)).

Respectfully,

/s/Rodrigo Araujo Alves  
Rodrigo Araujo Alves  
Chief Accountant and Tax Officer

April 11, 2021  
IFRS Foundation  
7 Westferry Circus  
Canary Wharf  
London E14 4HD  
United Kingdom

## **SOCPA Comments on Tentative Agenda Decision: Preparation of Financial Statements when an Entity is No Longer a Going Concern (IAS 10)**

**Dear Colleagues,**

The Saudi Organization for Chartered and Professional Accountants (SOCPA) appreciates the efforts of the IFRS Interpretations Committee (Committee) and welcomes the opportunity to comment on the *Tentative Agenda Decision: Preparation of Financial Statements when an Entity is No Longer a Going Concern (IAS 10)*.

We would like to share with you the two views in our jurisdiction about question No 1

The first view confines the phrase "reporting period" in IAS 10 to the latest reporting period covered by the financial statements. Therefore, in case of going concern being determined inappropriate after the latest reporting period while there was no issue about going concern after the end of each of the relevant preceding reporting periods, it is believed that the company has to prepare only the financial statements for the latest year on other than going concern basis (for example, the liquidation basis) and to prepare the financial statements for the preceding years on a going concern basis. In other words, the financial statements are to be prepared according to the conditions that existed at the time when such financial statements would have been prepared (i.e., the normal time frame for the preparation of financial statements for each period runs from the end of the reporting period until the end of the next reporting period). This view is supported by the following arguments:

1. IAS 10 mentions "reporting period" to mean the latest reporting period covered by the financial statements. At the time of writing IAS 10, it might not have been envisaged the subject of late preparation of financial statements for earlier periods and the requirements of some jurisdictions that companies have to file financial statements for each year in a separate document (i.e., IAS 10 may assume the normal situation where entities issue their financial statements after the end of the reporting date but before the end of the next reporting period).
2. When going concern is determined to be inappropriate, IAS 10 does not require restatement of preceding years' comparative figures (that were prepared on the going concern basis) to be presented alongside with the latest financial statements' figures that are prepared on other than going concern basis. This can be understood that, despite the fact that financial statements for preceding years were not prepared on timely basis, they should be prepared according to the conditions that existed at the time when such financial statements would have been prepared (i.e., the time frame for preparation of financial statements for each period runs from the end of the reporting period until the end of the next reporting period).
3. According to IAS 8, hindsight "should not be used when applying a new accounting policy to, or correcting amounts for, a prior period, either in making assumptions about *what management's intentions would have been in a prior period* [emphasis added] or estimating the amounts recognised, measured or disclosed in a prior period". This should be more prominent when there is a change in the accounting basis, regardless whether financial statements for preceding years were prepared on timely basis or not.



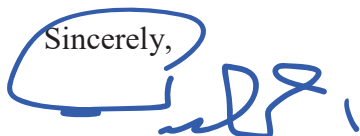
4. Preparing financial statements for preceding years on other than going concern basis (for example, the liquidation basis) although the going concern assumption was valid after the reporting date of each preceding year, will mislead users about the history of the company, especially when it fails to prepare financial statements for many preceding years on timely basis where the going concern assumption was valid at the end of those years.
5. According to the Conceptual Framework, paragraph 1.16, information about a reporting entity's past financial performance and how its management discharged its stewardship responsibilities is usually helpful in predicting the entity's future returns on its economic resources. Therefore, delaying the preparation of the financial statements until future periods should not relieve the management from providing such information on the basis that was suitable according to the assumptions and conditions that existed at the time when those financial statements would have been prepared. Specifically, late preparation of financial statements for preceding years (where going concern was valid) on the liquidation basis will deny the users' right to assess the entity's past financial performance and how its management discharged its stewardship responsibilities.

The second view states that the phrase "reporting period" in IAS 10 means all preceding periods as long as the company doesn't prepare financial statements for those preceding years (no matter how many). Accordingly, in this scenario, the company has to apply the liquidation basis to the financial statements for every single preceding year regardless of the fact that the company was a going concern after the end of each preceding year and the absence of the going concern assumption was only determined after the latest year. Going concern is a fundamental concept in setting IFRSs, including their measurement and presentation requirements. Therefore, preparation and authorization of financial statements on going concern basis after liquidation is inappropriate application of IFRSs since the assumption on which they are developed is no longer exist. It is noteworthy that financial statements for general purpose must prioritize the needs of users outside the entity over those of the management, which can be fulfilled internally. In addition, hindsight does not apply since IAS 10 clearly specifies the mere intention to liquidation prior to authorization of financial statements for issue, which is by itself a reason not to prepare its financial statements on a going concern basis.

For question No 2 in the tentative agenda decision, we are of the view that restatement is not appropriate when there is a change in the basis of preparation as it is not practical to do so without the use of hindsight. An entity, however, shall disclose the fact that the comparative figures are prepared according to different bases. Another alternative is to prohibit comparison since the numbers are prepared on different bases.

Please feel free to contact Dr. Abdulrahman Alrazeen at (razeena@socpa.org.sa) for any clarification or further information.

Sincerely,



**Dr. Ahmad Almeghames**  
Secretary General

April 12, 2021

Ms Sue Lloyd,  
Chair, IFRS Interpretations Committee,  
International Accounting Standards Board  
30 Cannon Street  
London EC4M 6XH  
United Kingdom

Dear Ms Sue,

**Subject: Comments of the Institute of Chartered Accountants of India (the ICAI) on Tentative Agenda Decision (TAD) issued by IFRS Interpretations Committee on Preparation of Financial Statements when an Entity is No Longer a Going Concern (IAS 10)**

The Accounting Standards Board (ASB) of the Institute of Chartered Accountants of India (the ICAI) welcomes the opportunity to comment on above referred Tentative Agenda Decisions of IFRS Interpretations Committee.

We agree with the conclusions in TAD pertaining to the accounting applied by an entity that is no longer a going concern. We agree with the decision in Question 1 that 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.

However, with respect to Question 2 regarding restatement of comparative information to reflect the basis of accounting used in preparing the current period's financial statements if the entity had previously issued financial statements for the comparative period on a going concern basis, the IFRS Interpretations Committee has stated that it has observed no diversity in the application of IFRS Standards. It is stated in the TAD 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 has not yet obtained evidence that the matter has widespread effect.

In this regard, we are of the view that for clarity on the issue, it will be useful if the TAD specifically mentions that the comparative period statements prepared on going concern basis need not be restated.

Our comments are based on the deliberations held at the meeting of the Accounting Standards Board.

With kind regards,

CA. M.P. Vijay Kumar  
Chairman  
Accounting Standards Board  
Institute of Chartered Accountants of India

## Tentative agenda decisions on inventories and the going concern basis

Tentative agenda decisions issued for comment by the IFRS Interpretations Committee in February 2021

Comments from ACCA  
April 2021

ACCA (the Association of Chartered Certified Accountants) is the global body for professional accountants, offering business-relevant, first-choice qualifications to people of application, ability and ambition around the world who seek a rewarding career in accountancy, finance and management.

ACCA supports its 227,000 members and over 544,000 students in 176 countries, helping them to develop successful careers in accounting and business, with the skills required by employers. ACCA works through a network of 110 offices and centres and 7,571 Approved Employers worldwide, who provide high standards of employee learning and development.

Through its public interest remit, ACCA promotes appropriate regulation of accounting and conducts relevant research to ensure accountancy continues to grow in reputation and influence. More information is here: <http://www.accaglobal.com>

Further information about ACCA's comments on the matters discussed here can be requested from:

Richard Martin  
Head of Corporate Reporting  
[richard.martin@accaglobal.com](mailto:richard.martin@accaglobal.com)  
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### ACCA



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## ACCA'S VIEWS

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ACCA welcomes the opportunity to provide views in response to the tentative agenda decisions on the net realisable value of inventories and on the preparation of financial statements when the going concern assumption cannot be supported. This has been done with the assistance of members of ACCA's Global Forum for Corporate Reporting.

We agree with the tentative decision that no interpretation or standard setting is needed in relation to the costs necessary to sell inventories. The definition of net realisable value in IAS2.6 and the standard's explanation of costs make it clear that all costs are to be included and not just incremental costs.

We agree with the interpretation of IAS1 that financial statements cannot be prepared on a going concern basis if that is not justified at the time of issue. In carrying out the assessment, consideration is required of conditions and events as a minimum of twelve months from the reporting period end. In response to Q1 it is clear that if within that 12 months the going concern basis cannot be used then that must apply to any financial statements issued. There may be, perhaps exceptional, cases when several years of financial statements have not been issued, covering periods when the reporting entity would have been judged a going concern. In such cases restating these financial statements disapplying the going concern basis might be difficult to achieve in practical terms and not provide users with useful information.

In response to Q2 on restating comparative figures in sets of financial statements when the going concern basis can no longer be applied, our view is that this should not be required as it would not provide useful information to the users.

14 April 2021

Ms. Sue Lloyd  
Chair  
IFRS Interpretations Committee  
Columbus Building  
7 Westferry Circus  
Canary Wharf  
London E14 4HD  
United Kingdom

Dear Ms. Lloyd,

### **IFRS Interpretations Committee Tentative Agenda Decisions**

The Malaysian Accounting Standards Board (MASB) welcomes the opportunity to provide comments on the following Tentative Agenda Decisions:

- (a) Costs Necessary to Sell Inventories (IAS 2 *Inventories*)
- (b) Preparation of Financial Statements when an Entity is No Longer a Going Concern (IAS 10 *Events after the Reporting Period*)

We agree with the Interpretations Committee's reasons set out in the respective Tentative Agenda Decisions for not adding these items onto its agenda.

If you need further clarification, please contact the undersigned by email at [beeleng@masb.org.my](mailto:beeleng@masb.org.my) or at +603 2273 3100.

Thank you.

Yours sincerely,



**TAN BEE LENG**  
*Executive Director*



## ASSOCIATION OF NATIONAL ACCOUNTANTS OF NIGERIA

### **Response to the Tentative Agenda Decision and comment letters on Preparation of Financial Statements when an Entity is No Longer a Going Concern (IAS 10).**

The Association of National Accountants of Nigeria (ANAN) has critically reviewed the basis of IFRS Interpretations Committee's decision and welcomes the opportunity to respond to the Tentative Agenda Decision and Comment Letters: **Preparation of Financial Statements when an Entity is No Longer a Going Concern (IAS 10)**,

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:

1. 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 1).
2. 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 2).

#### **QUESTION 1:**

Whether an entity that is no longer a going concern 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

#### **Response**

We agree with the IFRS Interpretations Committee's Tentative Agenda decision and conclusion that a standard-setting project should not be added to the work plan of IASB. We also agree with the Board's conclusion that the principles and requirements in IFRS Standards (Paragraph 25 of IAS 1 and Paragraph 14 of IAS 10) provide an adequate basis for an entity that is no longer a going concern to prepare its financial statements on a going concern basis only for the periods prior to the emergence of the non-going concern status.



## **QUESTION 2:**

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

## **Response**

ANAN agrees with the Board's decision and conclusion not to add a standard-setting project regarding restatement of comparative information. Since standards are issued to bring about uniformity in reporting practices of enterprises, then the research conducted by the board which shows non diversity in the application of IAS 10 in practice is enough testimony to support its conclusion on this matter

However, we are of the view that the Board should consider the suggestions by some groups and members of the board as to the clarity of the provisions of the standards and importance of the reports when going concern assumption is no longer appropriate to stakeholders.

For any further information or clarification, please contact the undersigned.

A handwritten signature in green ink, appearing to read 'N. Abdullahi', written over a light-colored background.

**Dr. Nuruddeen Abba Abdullahi, mni, FCNA**  
Chief Executive Officer  
Association of National Accountants of Nigeria  
[abdullahi@anan.org.ng](mailto:abdullahi@anan.org.ng)

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Buenos Aires, Argentina, April 9, 2021

**IFRS Foundation  
Columbus Building  
7 Westferry Circus  
Canary Wharf  
London E14 4HD  
United Kingdom**

**REF: IFRS IC Tentative Agenda Decisions made in the February 2, 2021 meeting**

Dear Board Members,

The “Group of Latin American Standards Setters”<sup>1</sup> (GLASS) appreciates the opportunity to comment on the Tentative Agenda Decisions (TAD) adopted by the IFRS IC during its meeting on February 2, 2021, which included the following topic:

- Preparation of Financial Statements when an Entity is No Longer a Going Concern (IAS 10)

This response summarizes the points of view of the members of the different countries that comprise GLASS, pursuant to the following due process.

**Due process**

The discussions regarding the Tentative Agenda Decisions of IFRS IC were held within a specified Permanent Technical Commission (PTC) created in December 2020. All GLASS country-members had the opportunity to appoint at least one member to participate in this PTC. Each standard setter represented in GLASS has undertaken different tasks in their respective countries (e.g., surveys, internal working groups). All results were summarized, and this summary was the platform for GLASS discussion process.

GLASS discussed the different points of view included in the summary through emails exchange between its members. In those emails GLASS developed a final document on the basis of the consensual responses and the technical points of view of its members. Finally, the document was submitted to and approved by the GLASS Board.

**Comments:**

**Preparation of Financial Statements when an Entity is No Longer a Going Concern (IAS 10)**

Although the aspect mentioned in this paragraph is not the object of the TAD, we want to take the opportunity to reflect on the importance to the region that the IASB incorporate into its agenda the issuance of a standard that addresses the requirements that must be met for the **preparation of financial statements based on a business that is not a going concern (NGC)**, which in our view should require the use of net realizable or liquidation values, since paragraph 3.9 of the *Conceptual Framework for Financial Reporting* only mentions that the financial statements “may have to be prepared on a different basis”, without specifying the characteristics of the basis that can be applied.

In respect to the item covered in the TAD in question, GLASS agrees that it is not necessary for the issue to be included as an agenda item for the IASB and that a response through the agenda decision procedure regarding the proper application of the concepts contained in the applicable standards is sufficient.

GLASS additionally believes that the first case presented, that is, when the entity's financial statements have not been previously prepared and authorized for issuance for three years, is not a common situation in the

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<sup>1</sup> The overall objective of the Group of Latin American Accounting Standard Setters (GLASS) is to present technical contributions with respect to all Exposure Drafts issued by the IASB. Therefore, GLASS aims to have a single regional voice before the IASB. GLASS is constituted by: Argentina (Chairman), Bolivia, Brazil (Board), Chile (Board), Colombia (Board), Costa Rica (Board), Dominican Republic, Ecuador, Guatemala, Honduras, Mexico (Vice Chairman), Panama, Paraguay, Peru (Board), Uruguay (Board) and Venezuela (Board).



region, as a result of which it is not considered to be a problematic issue due to its very low probability of occurrence in relatively important entities in the region.

Nevertheless, as a way of collaborating with the opinion of our region regarding its application in those places where the issue could be relevant, GLASS agrees with the staff that, 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 prepared and authorized for issue) on a going concern basis.

GLASS also agrees with the opinion of the staff that there is no diversity in the region that entities do not restate previously issued comparative periods when the entity was a Going Concern Entity (GCE).

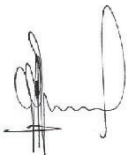
Some members of GLASS believe that consideration should be given to the situation in which the preparation of financial statements for prior periods on the basis of an NGC may require the application of retrospective analysis for the determination of realizable values on dates well before the current reporting date, which could represent a disproportionate cost or effort in relationship to the usefulness of the information that would be provided to the users of the information; therefore, the possibility of an exception to the retroactive application of certain measurements should be considered. In the aforementioned case, the situation should be adequately disclosed as limitations of the information presented, based on the impracticability of the application of the applicable standards.

The situation previously described may be the case when an entity had timely and adequately prepared its financial statements for prior periods on the basis of a GCE, but due to some special circumstances they had not been authorized for issuance.

#### **Contact**

If you have any questions about our comments, please contact [glenif@glenif.org](mailto:glenif@glenif.org).

Sincerely yours,



**Jorge José Gil**  
Chairman  
Group of Latin American Accounting Standard Setters (GLASS)

14 April 2021

Sue Lloyd  
Chair  
IFRS Interpretations Committee  
Columbus Building  
7 Westferry Circus  
Canary Wharf  
London  
United Kingdom  
E14 4HD

Dear Ms Lloyd

## **Tentative agenda decision – Preparation of Financial Statements when an Entity is No Longer a Going Concern (IAS 10)**

Deloitte Touche Tohmatsu Limited is pleased to respond to the IFRS Interpretations Committee's publication in the February 2021 Update of the tentative decision not to take onto the Committee's agenda the request for clarification about the preparation of financial statements when an entity is no longer a going concern.

We agree with the IFRS Interpretations Committee's decision not to add this item onto its agenda for the reasons set out in the tentative agenda decision.

If you have any questions concerning our comments, please contact Veronica Poole in London at +44 (0) 20 7007 0884.

Yours sincerely



**Veronica Poole**  
Global IFRS Leader

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United Kingdom

To whom it may concern

**Re: Tentative Agenda Decision and comment letters: Preparation of Financial Statements when an Entity is No Longer a Going Concern (IAS10)**

On behalf of the South African Institute of Professional Accountants (SAIPA) we would like to comment on the Tentative Agenda Decision and comment letters: Preparation of Financial Statements when an Entity is No Longer a Going Concern (IAS10) published by the International Accounting Standards Board for comments submitted by 14 April 2021. We appreciate the opportunity to comment on this Tentative Agenda Decision.

**Published on [www.ifrs.org/projects/open-for-comment](http://www.ifrs.org/projects/open-for-comment)**

*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).*
- 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—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 has not [yet] 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.*

### **SAIPA Response**

SAIPA agree with the decision in Question 1 that 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.

SAIPA agree with the decision in Question 2 that there is no requirement to restate prior year financial statements that had been previously issued on a going concern basis when the current year's financial statements are prepared on a non-going concern basis. We are of the view that restatement is not appropriate when there is a change in the basis of preparation as it is not practical to do so without the use of hindsight. An entity, however, shall disclose the fact that the comparative figures are prepared according to different bases.

Should you wish to discuss the contents of this letter with us, please contact Faith Ngwenya or Leana van der Merwe or Rashied Small on +27 (0)11 207 7840

**Yours faithfully**

**South African Institute of Professional Accountants**

PO Box 1411  
Beenleigh QLD 4207  
14 April 2021

Ms Sue Lloyd  
Chair IFRS Interpretations Committee  
International Accounting Standards Board  
Columbus Building, 7 Westferry Circus  
Canary Wharf  
London E14 4HD  
United Kingdom

Online submission: <https://www.ifrs.org/projects/work-plan/preparation-of-financial-statements-when-an-entity-is-no-longer-a-going-concern-ias-10/>

Dear Sue

**Tentative agenda decision - Preparation of Financial Statements when an Entity is No Longer a Going Concern (IAS 10)**

I am pleased to make this submission on the above Tentative Agenda Decision (TAD) relating to Preparation of Financial Statements when an Entity is No Longer a Going Concern (IAS 10).

I have extensive experience in accounting advice on International Financial Reporting Standards across a wide range of clients, industries and issues in the for-profit, not-for-profit, private and public sectors.

My clients have included listed companies, unlisted and private companies, charitable and not-for-profit organisations, federal, state and local government departments and agencies in the public sector, and government owned corporations (government business enterprises). I also have some commercial, standard setting and academic experience.

**Overall**

I do not agree with issuing the agenda decision on Question 1, as I do not believe that the issue is widespread or there is diverse accounting. The issue does highlight the contradiction in IAS 10 where all measurement effects are based on the situation at balance date, but there is an override in paragraph 14 for when the going concern status changes after balance date.

Also, it is inconsistent not to answer Question 2, when the situation in Question 1 (preparing financial statements for multiple periods and for when the entity is not a going concern) is less common (than the going concern status changing after balance date).

I include my comments on Questions 1 and 2 below.

## Question 1

As noted above I do not believe the issue meets the criteria for the IFRS Interpretations Committee to issue an agenda decision.

It is rare for an entity to prepare financial statements for multiple years (particularly three or more years) at a time. Situations include:

- An entity not complying with their reporting requirements.
- An entity preparing financial statements (but not issuing them) as part of opening balance adjustments when first applying IFRS.
- An entity that did not prepare IFRS financial statements in the past but is required to present historical IFRS financial statements now. For example, a small proprietary company (exempted under Australian company law from preparing financials) since converted to a public company and is now preparing for IPO and needs to publish historical financials.

It is less rare (maybe as frequent as unusual) for financials to be prepared longer than a year after balance date. Situations include:

- An entity not complying with their reporting requirements (and being late).
- An entity exiting the administration process (where they had been exempted from preparing financial statements).

It is even rarer in those rare (or maybe unusual) situations, i.e. financial statements prepared more than an annual reporting period after balance date, that the entity has changed status from a going concern to not a going concern.

More commonly, I encounter a situation when an entity was a going concern at balance date, but not when the financial statements are prepared, and the financial statements are not “late”.

In these situations, the common issue is that the entity was a going concern at balance date, and no longer is. In response to questions as to why financial statements cannot be prepared on a going concern basis when the entity was a going concern (consistent with the rest of IAS 10), I respond:

- Yes, I agree it appears to be a going concern at balance date
- Yes, I agree the requirement in IAS 10 paragraph 14 contradicts the other requirements in IAS 10 to prepare financial statements based on the conditions as at balance date
- However, it was a specific decision by the IASB
- No, there is no explanation in the standard or Basis for Conclusions. The requirement has been there a long time
- Yes, I agree that the old Australian standard (pre-IFRS) allowed going concern financial statements to be prepared (with additional disclosures)
- In the absence of specific IASB guidance, let's discuss more about what the non-going concern accounting policies might be prepared (see further discussion below).

I discuss below approaches where financial statements are prepared not on a going concern basis, but are not prepared on a realisation or liquidation basis.

## Question 2

In the Australian private sector, it is unusual to prepare financial statements not on a going concern basis, which causes issues when those situations occur given the lack of guidance. The situation is more common in the public sector (where Australia uses IFRS standards). In the public sector, restructure of operations and activities is common, leading to the abolition of departments and statutory bodies. In Queensland, these entities prepare final financial statements, and consequently with the entity being abolished, the entity is no longer a going concern when the final financial statements are prepared.

My experience in Australia in both the public and private sectors, when preparing non-going concern financial statements, is that because we have a requirement for entities to comply with Australian (i.e. IFRS-based) accounting standards, that IFRSs are applied to the extent appropriate. Specifically, entities do not claim, and are not given, an exemption from complying with all IFRSs because they are not prepared on a going concern basis.

IFRSs are usually applied as follows:

- IAS 1 including comparatives is followed
- IAS 8 is followed
- Assets are recognised on a realisation basis (following applicable impairment and valuation requirements in IAS 2, IAS 36, IFRS 9).
- Liabilities are not recognised on a realisation basis (IFRS 9 is followed and liabilities are recognised at 100c in the \$ until the derecognition requirements of IFRS 9 are met).
- IFRS 5 is not followed to the letter and is followed on a common sense basis – i.e. the “main” operations are not classified as discontinuing operations so that the profit or loss shows continuing operations (and not all dumped into the discontinuing operations line and removed from comparatives).
- For the public sector where operations continue within the consolidated group (i.e. whole of government), IFRS 5 generally does not apply as the assets are not being sold, and Interpretation 17 is not applied as the distributions are under common control. This means that the main operations retain the on-going operational classification between current and non-current, and are not all reclassified as current. Similarly, the “main” operations are not dumped into one “held for sale” line item in the balance sheet.

Examples of financial statements in the private sector prepared not on a going concern, and signed off as complying with Australian accounting standards (i.e. IFRSs) includes:

<b>Entity</b>	<b>Balance date</b>	<b>Auditor</b>
(Equity Trustees) Mortgage Income Fund (registered as Common Fund No.1)	30 June 2020	Deloitte
<a href="https://www.eqt.com.au/~media/equitytrustees/files/managedfunds/eqt/eqt-mif-annual-report.pdf">https://www.eqt.com.au/~media/equitytrustees/files/managedfunds/eqt/eqt-mif-annual-report.pdf</a>		
Abacus Hospitality Fund	30 June 2019	EY
<a href="https://www.abacusproperty.com.au/sites/default/files/FS_AHF_FY19%20H2_online.pdf">https://www.abacusproperty.com.au/sites/default/files/FS_AHF_FY19%20H2_online.pdf</a>		
BT Personal Portfolio Service: Investment	30 June 2020	PwC
<a href="https://www.westpac.com.au/docs/pdf/pb/BTPPSAnnualReport.pdf">https://www.westpac.com.au/docs/pdf/pb/BTPPSAnnualReport.pdf</a>		

Insight Funds (Insight Diversified Inflation Plus Fund + Insight Global Absolute Return Bond Fund)	30 June 2020	KPMG
<a href="https://www.eqt.com.au/~media/equitytrustees/files/instofunds/insight/insight-global-absolute-return-bond-fund-annual-report.pdf">https://www.eqt.com.au/~media/equitytrustees/files/instofunds/insight/insight-global-absolute-return-bond-fund-annual-report.pdf</a>		

I did not identify any of the above stating that they had restated comparatives.

Yours sincerely,

David Hardidge

<https://www.linkedin.com/in/davidhardidge/>