

FASB Issues Exposure Drafts on Going Concern and Subsequent Events

The Financial Accounting Standards Board (FASB) has issued two separate but related Exposure Drafts (EDs) for public comment. The documents contain two proposed FASB Statements, Going Concern and Subsequent Events, intended to improve financial reporting by incorporating accounting guidance that originated as auditing standards into the body of authoritative literature issued by the FASB while converging U.S. generally accepted accounting principles and International Financial Reporting Standards. Including this guidance in authoritative accounting literature as well as in auditing standards emphasizes that accounting and reporting are the primary responsibility of an entity and its management, not its auditor.

The proposed Statement on going concern would require that management of a reporting entity consider all available information about the future, which is at least, but not limited to, 12 months from the end of the reporting period, when assessing whether a going concern assumption is appropriate. Prior to the issuance of this proposed Statement, the time horizon for the going concern assessment was limited to one year beyond the date of the financial statements. The proposed Statement also would require disclosures when either the financial statements are not prepared on a going concern basis or there is substantial doubt as to an entity's ability to continue as a going concern. The FASB believes this guidance belongs in the accounting literature because it is management's responsibility to assess the ongoing viability of the reporting entity.

Mr. Khozema Anajwalla, Partner, Assurance and Advisory, comments, "This means the time limit of twelve months is no longer a limiting factor for going concern assessment."

The proposed Statement on subsequent events establishes general standards of accounting for and disclosure of events that occur subsequent to the balance sheet due date but before financial statements are issued or available to be issued. The Board added the notion of available to be issued to consider situations in which financial statements may not be widely distributed after the financial statements are prepared-as may be the case with some nonpublic entities. The proposed Statement also would require disclosure of the date through which management has evaluated subsequent

events and the basis for that date, that is, whether that date represents the date the financial statements were issued or the date the financial statements were available to be issued. That disclosure would alert all users of financial statements that management has not evaluated subsequent events after that date.

*Mr. Atul Deshmukh, Partner, Assurance and Advisory, comments, "It is interesting that the **date** through which the subsequent events disclosure has been made is now proposed to be explicitly brought out on the face of the financial statements. This enhances the quality of financial reporting to the users of the financial statements."*

Source: BNA

Disclaimer:

These materials and the information ("this information") contained herein are provided by KNAV and are intended to provide general information on a particular subject or subjects and are not an exhaustive treatment of such subject(s). This information is not intended to constitute accounting, tax, legal, investment, consulting, or other professional advice or services and should not be relied upon as the sole basis for any decision which may affect you or your business. . No reader should act on the basis of any information contained in this publication without considering and, if necessary, taking appropriate advice upon their own particular circumstances. None of KNAV, its member firms, or its and their respective affiliates shall be responsible for any loss and any special, indirect, incidental, consequential, or punitive damages or any other damages whatsoever whether in an action of contract, statute, tort (including, without limitation, negligence), or otherwise, sustained by any person who relies on this information. If any of the foregoing is not fully enforceable for any reason, the remainder shall nonetheless continue to apply.

About KNAV

KNAV is India's first multi-national firm of accountants and business advisors with operations in India, US and UK. We are currently expanding our operations to Canada, France & Netherlands. Our partners and professionals are qualified in various countries including India, US, Canada, UK and Ireland allowing us to provide you with seamless service across Asia, North America and Europe.

Atlanta | 3731 Lake Pass Lane, Suwanee GA 30024, USA T : +1 770 831 3574 F: + 1 678 765 2377

London | 8/9, Surbiton Busines Center, 46, Victoria Road, Surbiton, London KT64JL, UK T: +44 208 390 8092 F: +44 208 390 2721

Mumbai | 101 RNA Azzure, Service Road, Bandra (E), Mumbai – 400051, India T: 91 22 2647 0044 F: 91 22 2647 0033

E: admin@knavcpa.com

W: www.knavcpa.com