

AS-4 Contingencies and Events Occurring After Balance Sheet Date

CONTINGENCIES means is a situation or condition whose ultimate outcome is gain or loss. Which will be known after occurrence or non-occurrence of one or more future events & future uncertain events

EVENTS occurring after balance sheet date mean those **SIGNIFICANT** event or **GAIN & LOSS** which occur between balance sheet date & approval of accounts by approving authority (**BOARD OF DIRECTOR**)

EVENTS can be two types

- 📅 Adjusting Events : these events require adjustment in **financial statement**
- 📅 Non adjusting events : these events are require **disclosure** of event

Treatment of Contingencies in Balance Sheet

CONTINGENT GAIN → NO treatment

Case 1 contingent gain means gain which is still **UNCERTAIN** and its occurrence depends on future **EVENT**. Due to concept of conservative such profit should not be recorded, if it is uncertain (contingency)

CONTINGENT LOSS

- 📅 High probability loss & amount can be ascertained → make provision for such contingency (such loss)

Case 2 high probability means chances of occurrence of loss more than non-occurrence (nuksan ki sambhavana jyada h i.e. +50%)

This is very subject & management should estimate such probability, if loss is to be recorded. It should be through profit & loss

- 📅 Remote possibility of loss → no treatment (no requirement to show in balance sheet or outside balance sheet)

Case 3 remote means very less generally remote possibility will be for 5%

- 📅 Other cases → give foot note of contingency in balance sheet

Treatment of events occurring after Balance Sheet date

Whenever events are to be treated after occurring balance sheet date then contingency for such event is not required to be adjusted

Proposed dividend

No liability for proposed dividend should be created now..... Such proposed dividends are to be disclosed in the notes only

(If any enterprises declares dividends to shareholder after balance sheet date the ENTERPRISES should not recognise those dividends as a liability at the balance sheet date unless a statute requires otherwise)

AS 29 **Provision, Contingent Liabilities and Contingent Assets**

PROVISION means liability which is **measured using** substantial degree of estimation

LIABILITY means present obligation which is to be settled through outflow of resources & it can be **measured**.

Present obligation means certain or whose occurrence is **more likely than not**

CONTINGENT ASSETS means those expected assets, whose realisation is uncertain and will be known in future.

such contingent assets are not to be treated in accounts

CONTINGENT LIABILITY means possible obligation which is expected to be settled, with outflow of resources & its occurrence is not yet certain.

These liability are shown in footnote of balance sheet

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Now discounting of provision for Decommissioning, Restoration and Similar Liabilities should be done as per the pre-tax discount rate as mentioned therein.

With unwind method: all the existing provision on Decommissioning, Restoration and Similar Liabilities is discounted PROSPECTLY with the corresponding effect to the related item of property plant and equipment