



**Board Meeting Handout  
Subsequent Events and Going Concern  
August 27, 2008**

**PURPOSE OF THIS MEETING**

1. The purpose of this meeting is to discuss the Board's plans for incorporating guidance on Subsequent Events and Going Concern into the FASB Accounting Standards Codification (Codification).

**BACKGROUND**

2. In August 2005 and May 2007 respectively, the Board added projects to its agenda to (a) establish general standards of accounting for and reporting of events that occur subsequent to the balance sheet date and (b) address an entity's assessment of its ability to continue as a going concern. In September 2007, the Board decided to remove these projects from its agenda and to address these issues as part of its codification and retrieval project.

**ISSUE 1—GOING CONCERN**

3. At its May 30, 2007 meeting, the Board made the following decisions with respect to its proposed Going Concern guidance:
  - a. The Board agreed to a proposed standard that seeks to converge with International Accounting Standard (IAS) 1, *Presentation of Financial Statements*, and IAS 10, *Events after the Balance Sheet Date*, supplemented by disclosure requirements in AICPA Statement on Auditing Standards No. 1, *Codification of Auditing Standards and Procedures*, AU Section 341, "The Auditor's Consideration of an Entity's Ability to Continue as a Going Concern."
  - b. The Board decided that the language of the standard should converge with IAS literature with respect to the time horizon for assessment, but incorporate

guidance in the U.S. auditing literature (AU Section 341) with respect to the type of evidence considered.

4. The staff recommends that the Board affirm its May 30, 2007 conclusions.

*Does the Board agree with the staff's recommendation to affirm the decisions it reached at the May 30, 2007 meeting?*

## **ISSUE 2—SUBSEQUENT EVENTS**

5. To date, the Board has made the following decisions with respect to the proposed Subsequent Events guidance:

- a. The guidance should reflect the principles underpinning the current subsequent events guidance in existing accounting standards and in the auditing requirements contained in AICPA Codification of Statements on Auditing Standards, AU Section 560, *Subsequent Events*.
- b. The Board will consider whether certain minor differences between U.S. GAAP and IFRS can be eliminated or minimized. However, the guidance should not address inconsistencies or differences between U.S. GAAP and international financial reporting standards in the following areas:
  - Refinancing of short-term obligations
  - Curing breaches of borrowing covenants.
- c. Subsequent events should be considered for adjustment to or disclosure in the financial statements through the date that the financial statements are issued or first available to be issued, and the date through which subsequent events have been considered should be disclosed in the notes to the financial statements.
- d. The Board will not seek to amend existing standards that are considered to be inconsistent with the principles underpinning AU 560.

*Does the Board affirm the decisions it has reached to date on the Subsequent Events guidance?*

*Does the Board direct the staff to proceed with issuing a Codification Update to incorporate accounting guidance regarding Subsequent Events and Going Concern into the Codification?*