

## **Introduction and Invitation to Comment**

The International Accounting Standards Board proposes to amend IAS 10 *Events after the Balance Sheet Date* to clarify the explanation of why a dividend declared after the balance sheet date does not result in the recognition of a liability.

The Board invites comments on the proposed amendment. It would particularly welcome answers to the question below. Comments are most helpful if they contain a clear rationale and, when applicable, provide a suggestion for alternative wording.

The Board is not requesting comments on matters in IAS 10 not addressed in the exposure draft.

### **Question**

Do you agree with the proposal to amend paragraph 13 of IAS 10 to clarify the explanation of why a dividend declared after the balance sheet date does not result in the recognition of a liability? If not, why?

## **Proposed amendment to IAS 10 *Events after the Balance Sheet Date***

In the Standard, paragraph 13 is amended (new text is underlined, deleted text is struck through). Paragraph 12 has been included for ease of reference but is not proposed for amendment.

### **Dividends**

- 12 If an entity declares dividends to holders of equity instruments (as defined in IAS 32 *Financial Instruments: Presentation*) after the balance sheet date, the entity shall not recognise those dividends as a liability at the balance sheet date.**
- 13 If dividends are declared (ie the dividends are appropriately authorised and no longer at the discretion of the entity) after the balance sheet date but before the financial statements are authorised for issue, the dividends are not recognised as a liability at the balance sheet date because no present obligation exists at the balance sheet date ~~they do not meet the criteria of a present obligation in IAS 37~~. Such dividends are disclosed in the notes in accordance with IAS 1 *Presentation of Financial Statements*.

## **Basis for Conclusions on Proposed Amendment to IAS 10 Events after the Balance Sheet Date**

*This Basis for Conclusions accompanies, but is not part of, the draft amendment.*

### **Dividends**

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- BC1 The Board identified a potentially unclear explanation in the guidance in IAS 10. It relates to the explanation of why a dividend declared after the balance sheet date does not result in the recognition of a liability.
- BC2 The Board notes that some may read the guidance to imply that a liability should be recognised for dividends not declared until after the balance sheet date on the basis of a constructive obligation. Such circumstances may arise, for example, when there is an established pattern of paying a dividend. The Board notes that these circumstances were considered at the time that IAS 10 was revised and at that time the Board concluded that no liability should be recognised because there is no present obligation at the balance sheet date. This is described in paragraph BC4 of the Basis for Conclusions to IAS 10.
- BC3 The Board decided to address the potentially unclear explanation in paragraph 13 of IAS 10 by incorporating into the Standard the explanation that is in the Basis for Conclusions.