

- .06 Examples of events of the second type that require disclosure to the financial statements (but should not result in adjustment) are:
- a. Sale of a bond or capital stock issue.
 - b. Purchase of a business.
 - c. Settlement of litigation when the event giving rise to the claim took place subsequent to the balance-sheet date.
 - d. Loss of plant or inventories as a result of fire or flood.
 - e. Losses on receivables resulting from conditions (such as a customer's major casualty) arising subsequent to the balance-sheet date.
- .07 Subsequent events affecting the realization of assets such as receivables and inventories or the settlement of estimated liabilities ordinarily will require adjustment of the financial statements (see paragraph .03) because such events typically represent the culmination of conditions that existed over a relatively long period of time. Subsequent events such as changes in the quoted market prices of securities ordinarily should not result in adjustment of the financial statements (see paragraph .05) because such changes typically reflect a concurrent evaluation of new conditions.
- .08 When financial statements are reissued, for example, in reports filed with the Securities and Exchange Commission or other regulatory agencies, events that require disclosure in the reissued financial statements to keep them from being misleading may have occurred subsequent to the original issuance of the financial statements. Events occurring between the time of original issuance and reissuance of financial statements should not result in adjustment of the financial statements² unless the adjustment meets the criteria for the correction of an error or the criteria for prior period adjustments set forth in Opinions of the Accounting Principles Board.* Similarly, financial statements reissued in comparative form with financial statements of subsequent periods should not be adjusted for events occurring subsequent to the original issuance unless the adjustment meets the criteria stated above.

² However, see paragraph .05 as to the desirability of presenting pro forma financial statements to supplement the historical financial statements in certain circumstances.

* See also Statement of Financial Accounting Standards No. 16, Prior Period Adjustments (AC section A35).

RELEVANT LITERATURE

Statutory Accounting

- Statutory Accounting Principles Statement of Concepts and Statutory Hierarchy
- NAIC *Annual Statement Instructions for Life and Accident and Health Insurance Companies*
- NAIC *Annual Statement Instructions for Property and Casualty Insurance Companies*
- NAIC *Financial Condition Examiners Handbook*
- *Issue Paper No. 4—Definition of Assets and Nonadmitted Assets*
- *Issue Paper No. 5—Definition of Liabilities, Loss Contingencies and Impairments of Assets*
- *Issue Paper No. 6—Amounts Due from Agents and Brokers*

Generally Accepted Accounting Principles

- *AICPA Statement on Auditing Standards No. 1, Section 560, Subsequent Events*

State Regulations

- No additional guidance obtained from state statutes or regulations.