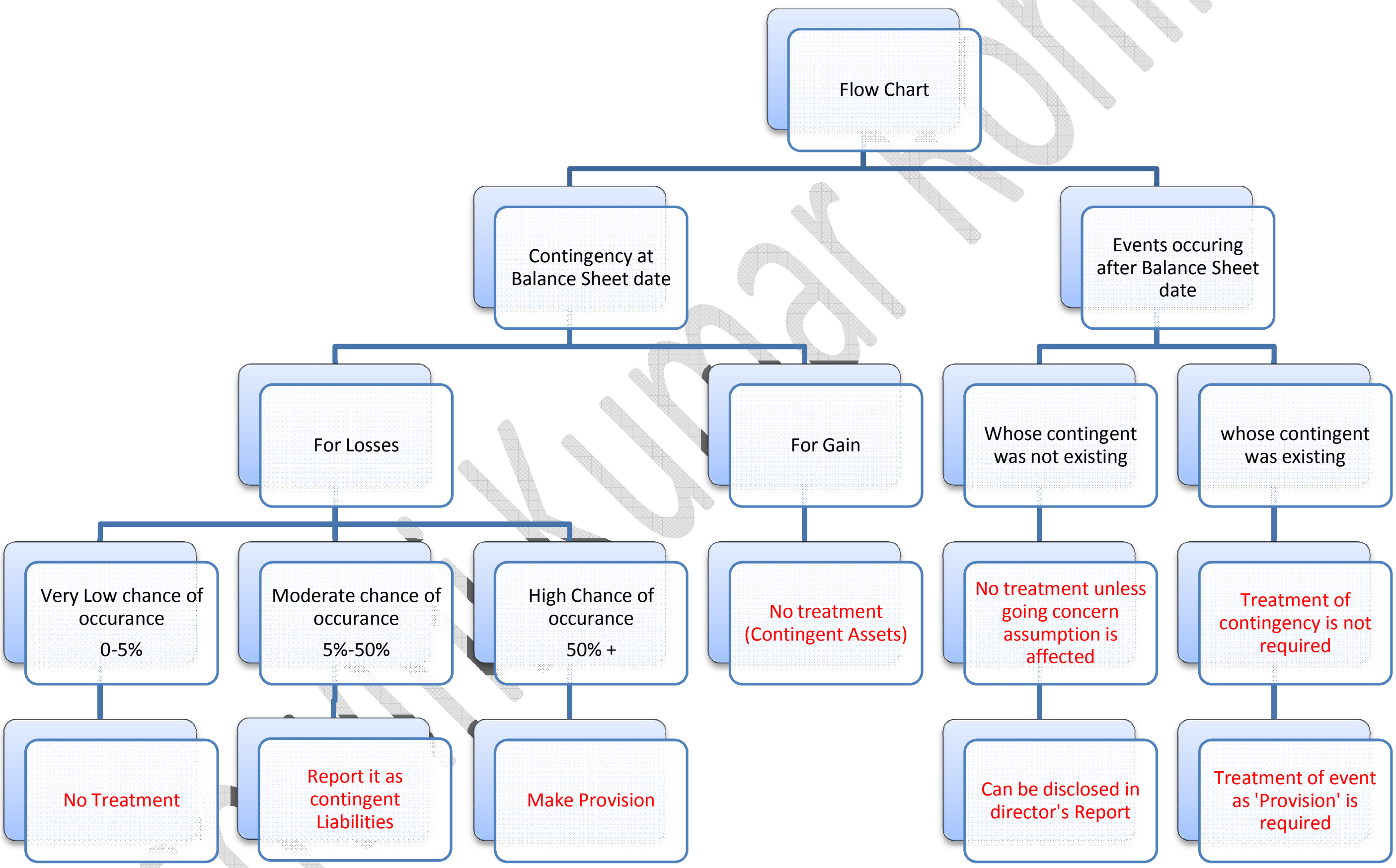
Accounting Standard 4 & 29
AS 4: Contingency and Events occurring after Balance Sheet Date
AS 29: Provisions, Contingent Liabilities and Contingent Assets

1. These standards are mandatory and applicable to all entities.

2. Flow Chart



3. Proposed Dividend should be accounted for in books of Accounts, if directors have approved its proposal. Do not check contingent or probability of its distribution. This is due to statutory requirement of companies Act, 1956.

4. **Contingency** means conditions or situations, resulting in gain or loss, whose occurrence is still not certain and dependent on outside situation / factors.

5. **Events occurring after Balance Sheet date** means those events which have taken place after Balance Sheet date but before approval of Accounts which are significant, resulting in gain or loss.

   These events can be of tow types
   (a) Adjusting Events
   (b) Non Adjusting Events

   Adjusted events means those events whose contingency was existing on Balance Sheet date. These events required adjustment in financial statements. In these cases treatment of contingency is not required but provision should be made for events.

6. **Non-Adjusting events** should not be adjusted but should be disclosed in Director's Report.

7. **Provision** means liability which is measured using substantial degree of estimation.

8. If any entity has entered into contract, which is loss making provision should be made. These are called onerous contracts.

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