
Reporting of subsequent events in financial statements – between obligation and necessity

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Abstract

The article aims to highlight the importance of reporting of subsequent events in financial statements, the factors that influence their reporting and the implication in statutory audit. The purpose of the article is to research the theoretical and legal basis which regulates the accounting and audit of subsequent events, but also research practical cases on this subject. The case study was based on the study of the 62 companies, listed on the Bucharest Stock Exchange, from which were analyzed the financial statements and the independent auditor's reports, grouping the subsequent events which was found, depending on their type and the domain in which that company operates, and were compared the types of events that occurred in each domain of activity. From empirical research resulted that reporting of subsequent events can be influenced by various factors such as: the auditor's category, the audit opinion, the performance and the size of company. The main conclusion which resulted from the study case is that the subsequent events are more frequent presented in financial statements of an entity, influencing in some cases the auditor's opinion related to these financial statements.

Keywords: *subsequent events, financial statements, audit opinion, audit evidence*

JEL Classification: *M40, M41*

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Introduction

The financial statements of an entity reflect the financial position of the enterprise at the end of financial year. So, if subsequent events appear after the moment which proves the conditions existing at that date, it is necessary to reflect them in the financial statements because information can be a useful decision base for those interested in assessing the financial position of an enterprise.

The importance this chosen topic is based on the requirements of financial reporting frameworks and on the need of financial statements to provide a true and fair view of the performance and the financial position of an enterprise to be audited and lead to an unqualified opinion.

The article is considering the analyses of the main accounting and audit regulations regarding the reporting of subsequent events and shows the implications of recording on not recording them from the point of view of the financial auditor.

Considering that the subsequent events are not based on the current year's accounting records, but on the next year's accounting records or other events that do not generate accounting records, it is necessary to identify the factors which influence the reporting of these events, because they can occur, but are not always considered relevant to be presented in the notes of the financial statements, but the information can be useful to their users (Michel, 2015).

In order to analyze the status of reporting of subsequent events were analyzed 62 companies listed on the Bucharest Stock Exchange (BSE). The entities were classified on different areas, according to their scope of activity and an analysis of the information from financial statements, manager reports and audit reports was made.

Following systematization of the information, subsequent events have been identified and if these events had an impact on the financial statements a comparison of events in each industry, grouped by type of events, has been made.

Starting from the results of this analysis, in the second stage, was tested the empirical relationship between the factors that could influence the reporting of subsequent events, so were selected the following variables: the auditor's category, the auditor's opinion, the entity's performance and their size.

The research will contribute to the development of specialty literature, because provides an analysis of the availed data of reporting of subsequent events by the listed companies in Romania, from a perspective oriented to the importance and necessity to present these operations in the financial statements.

The article is structured as follows: the following section contains a summary of the relevant literature on subsequent events, while the second section describes the research methodology. The third part presents the results of the study together with our comments. The last section includes the final conclusions, the limits of the study and future research directions.

1. Literature review

The subsequent events are governed by two important standards, respectively: ISA 10 *Events after the reporting period* and ISA 560 *Subsequent events*. It is known that there is a strong relationship between accounting standards and auditing standards.

ISA 10 groups these subsequent events into two categories: events that already existed at the reporting date and events that occurred later than the reference date.

The second standard specifies the steps that a financial auditor should follow in determining the significance of these events. ISA 560 classifies events after the reporting date into three categories, depending on their moment of appearance, respectively: events that occurred until the date of the audit report, events occurred after the report but not after the release of the financial statements and events occurred after the release of the financial statements. Depending on when events occur, the auditor revises and sometimes changes the opinion, which will be expressed in a new audit report.

If ISA 10 is the international accounting reference, in the Romanian system, Minister of Finance Order no. 1802/2014 for the approval of the Accounting Regulations on individual annual financial statements and consolidated annual financial statements (OMFP 1802), regulates the issue of subsequent events that occur after the balance sheet date, which was harmonized with international stipulations.

The literature is not very extensive in this domain, most researches have been carried out at an international

level. In Callings' (2012) vision, the audit of subsequent events remains a key element in the audit process, so the auditor has the responsibility for collecting the evidence to ensure that all subsequent relevant events have been considered.

The audit of subsequent events was considered a difficult field to be audited, because was found in a study by Chung et al. (2013) that about one third of the inspection reports of securities and stock market regulators have identified deficiencies in this area.

Herda and Lavelle (2014) foresee that auditors have to investigate subsequent events, to evaluate the impact of any uncovered event on the financial statements and to ensure that the events that are occurring are solved in adequately mode.

Janvrin and Jeffrey (2004) suggest to the auditors to form an opinion from the initial balance sheet based on historical evidence (evidence of events occurring at the balance sheet date). At the end of fieldwork, auditors should seek evidence from events after the balance sheet date before finalizing their opinion. The same authors specify that auditors generally follow the proposed audit procedures for search evidence to justify subsequent events, but the frequency with which the auditors find subsequent evidence of the events using a single procedure was low. In addition, auditors are more likely to seek and find evidence of subsequent events when exist minimal historical evidence and when assessing outstanding account balances, which have impact on the financial statements as a whole, not just on a material account.

Latif and Jaber (2015) lists a series of procedures that the auditor can use in the analysis of subsequent events: tracking company policies, especially at the subsequent events, reading the minutes of board meetings and of the competent committees that help to complete the audit of subsequent events, the requesting to management contingent debts, changes in capital and accounting estimates, the request to management the situation of subsequent events, investigating any other auditor with regard to the subsequent procedures and treatment of the branches. The authors recommend companies to shorten the period between the balance sheet date and the issuance of the audit report, thus reducing the occurrence of a new unusual subsequent event.

Ozdemir and Gokcen (2016) have conducted an investigation on the audit of subsequent events, which was applied to 108 independent auditors from Turkey. Most of the auditors who responded to the investigation activity are working in an international audit company and are aged between 26 -40 years. The auditors said that the information on subsequent events are important enough to influence independent auditor opinion and investments decisions. In addition, they consider them important enough to affect all financial statements.

Janvrin and Jeffrey (2004) have developed a questionnaire concerning the frequency of discovery of subsequent events during the audit engagement, having 46 auditors' respondents. About half of them said that they have been confronted with subsequent events and in all cases the requirements of ISA 560 have been respected.

Latif and Jaber (2015) has sought answers to two important questions in their case study: if the auditor was committed to complying ISA 560 in the treatment of subsequent events before and after the audit report, and if the auditor's experience may influence the professional judgment in terms of compliance with the standard. The questionnaire was applied to 189 auditors from Jordan. 69,4 % said that the auditor was responsible for complying the treatment recommended by ISA and 60 % had over 10 years of experience in this field.

The Romanian authors who studied the themes of subsequent events were more concerned with the practical aspects and formulated opinions to clarify the application of standards and regulations in the field. Botez (2014) believes that the responsibility to adjust the financial statements by highlighting the impact of subsequent events was primarily the entity's leadership. The author also specifies that the entity does not have to prepare the set of financial statements based on the principle of continuity activity as long as this hypothesis was not suitable.

Cernuşca (2016) considers that the subsequent events include those events which occurred until the

date on which the annual financial statements are authorized for issue, approved by a board of directors, administrators or other leading organs, according to entity's organization, for their submission for approval, in accordance with the legal provisions in force.

In the point of view of the authors Lazăr and Duinea (2011), the subsequent events also occur in the context of the principle of continuity of activity which the accounting regulations provide that an entity start from the premise that they are operating based on the principle of continuity of activity. The principle requires a company to continue its business normally, without the presumption that would lead in liquidation or significant reduction of activity.

The date of completion of the audit report is the date on which the auditor dated his report. The auditor's report must not be issued before: the time at which the auditor has obtained sufficient and adequate audit evidence on which to base his opinion on the financial statements; the period of obtaining evidence that a complete set of financial statements has been prepared, on which the management of the entity has assumed responsibility (Moldovanu, 2009).

In the opinion of Caloian (2007) the moment when the auditor discovers subsequent events is very important, because, depending on this factor, it is distinguished: events reported to the auditor previous to the audit report preparation, they influence the audit report and the expressed opinion, the auditor

having the possibility to change the initial opinion, and events brought in attention of the auditor following the issuance of the audit report to the management of the audited company, in which case the auditor don't can change his opinion, but will do all he can to inform the users of financial statements about the new information obtained after the publication of this report.

2. Research methodology

For this case study, were studied 62 companies listed on Bucharest Stock Exchange (BSE), with non-financial activity. Based on the annual reports published for the period 2016 – 2017 the companies were grouped on 9 sectors of activity and the financial statements and auditor's reports were analyzed over a period of two consecutive years, respectively 2016 and 2017, highlighting subsequent events that occurred after the reporting date, and the measure to which the auditor took these into account when expressing his opinion.

The reporting of subsequent events can be influenced by several factors, which have been econometrically tested, in the relationship between the dependent variable – subsequent events and independent variables: the auditor's category, the auditor's opinion, the financial result obtained and the size of the company. **Table no. 1** shows the way of representing these indicators.

Table no. No. 1. Description of variables	
Variable	Representation mode
Subsequent events (Es)	1 – if any subsequent events were reported 0 – if they have not been reported
The auditor's category (Ca)	1 – if the auditor falls into the Big 4 category 0 – if they do not fit
The auditor's opinion (Oa)	1 – if the auditor's opinion was unqualified 0 – if the opinion was qualified
Financial result of the company (Rf)	1- if the company obtain profit 0 – if the company obtain a loss
The company size (Sc)	1- if the company was in the category of large companies 0 – if the company was part of the small and medium sized enterprises group (SMEs)

Source: Own projection, 2018

The regression equation will be linear by multifactorial type according to the following formula:

$$Es = \alpha_{it} + \beta_1 Ca + \beta_2 Oa + \beta_3 Rf + \beta_4 Sc + \varepsilon_{it} \quad (1)$$

To determine the power of explaining the proposed model, the testing of hypothesis will be done by more models with all independent variables included, as well

as testing only with variables whose statistical significance will be more relevant.

3. Results

Due to the diversity of subsequent events published, in order to show the categories of events with the most significant repeatability, in **Table no. 2** was made a classification of the type of events, as well as the sectors in which companies are doing their business.

Table no. 2. Type of subsequent events			
Type of subsequent events	Company	Year	Industry
Litigations and provisions	OMV PETROM S.A.	2016	Mining and quarrying
	ELECTROARGES S.A.	2016	Manufacturing
	S.N. NUCLEARELECTRICA S.A.	2016	Electricity, gas, steam and air conditioning supply
	C.N.T.E.E. TRANSELECTRICA	2016	Electricity, gas, steam and air conditioning supply
	SOCIETATEA ENERGETICA ELECTRICA S.A.	2016	Professional, scientific and technical activities
	COMELF S.A.	2017	Manufacturing
	PETROLEXPORTIMPORT SA	2017	Wholesale and retail trade; repair of motor vehicles and motorcycles
	SOCIETATEA ENERGETICA ELECTRICA S.A.	2017	Professional, scientific and technical activities
Extending loan contracts	ROMPETROL WELL SERVICES S. A	2016	Mining and quarrying
	ROMPETROL RAFINARE S.A.	2016	Manufacturing
	STIROM S. A.	2016	Manufacturing
	TURBOMECANICA S.A.	2016	Manufacturing
	ALUMIL ROM INDUSTRY S.A.	2016	Wholesale and retail trade; repair of motor vehicles and motorcycles
	SIF HOTELURI S.A.	2016	Accommodation and food service activities
	ROMPETROL WELL SERVICES S.A	2017	Mining and quarrying
	ALUMIL ROM INDUSTRY S.A.	2017	Wholesale and retail trade; repair of motor vehicles and motorcycles
	SIF HOTELURI SA	2017	Accommodation and food service activities
	SOCIETATEA ENERGETICA ELECTRICA S.A.	2017	Professional, scientific and technical activities
Requests for the opening of insolvency proceedings	ELECTROMAGNETICA SA	2016	Manufacturing
	ROMCAB S.A.	2016	Manufacturing
	PREBET S.A.	2017	Manufacturing
Sale of assets	ELECTROPUTERE S.A.	2016	Manufacturing
	ELECTROPUTERE S.A.	2017	Manufacturing
	MECANICA CEHLAU S.A.	2017	Manufacturing
	OLTCHIM S.A.	2017	Manufacturing
	ROMCARBON S.A.	2017	Manufacturing
Financing contracts	S.N.G.N. ROMGAZ S.A.	2016	Manufacturing
	ALRO S.A.	2017	Manufacturing
	ROMPETROL RAFINARE S.A.	2017	Manufacturing
	S.N.T.G.N. TRANSGAZ S.A.	2017	Transportation and storage

Type of subsequent events	Company	Year	Industry	
Changing activity sections	ARMATURA S.A.	2016	Manufacturing	
	S.N.G.N. ROMGAZ S.A.	2017	Extractive	
	AEROSTAR S.A.	2017	Manufacturing	
	TERAPLAST S.A.	2017	Manufacturing	
	S.N.T.G.N. TRANSGAZ S.A.	2017	Transportation and storage	
Profit distribution	CARBOCHIM S.A.	2016	Manufacturing	
	CONTEC S.A.	2016	Manufacturing	
	MECANICA CEHLAU S.A.	2016	Manufacturing	
	TURISM FELIX S.A.	2016	Accommodation and food service activities	
	CARBOCHIM S.A.	2017	Manufacturing	
	TURISM FELIX S.A.	2017	Accommodation and food service activities	
	OLTCHIM S.A. S.A.	2016	Manufacturing	
Changing reorganization plans for the activity and staff	ARMATURA S.A.	2017	Manufacturing	
	OMV PETROM S.A.	2017	Mining and quarrying	
	UZTEL S.A.	2016	Manufacturing	
	ZENTIVA S.A.	2016	Manufacturing	
	S.N.T.G.N. TRANSGAZ S.A.	2016	Transportation and storage	
	ELECTROMAGNETICA S.A.	2017	Manufacturing	
	GRUPUL INDUSTRIAL ELECTROCONTACT S.A.	2017	Manufacturing	
	MECANICA CEHLAU S.A.	2017	Manufacturing	
	S.N. NUCLEARELECTRICA S.A.	2017	Electricity, gas, steam and air conditioning supply	
	OIL TERMINAL S.A.	2017	Transportation and storage	
	SIF HOTELURI S.A.	2017	Accommodation and food service activities	
	SOCIETATEA ENERGETICA ELECTRICA S.A.	2017	Professional, scientific and technical activities	
	Change of exchange rate or of inflation rate	OLTCHIM S.A.	2016	Manufacturing
		SANTIERUL NAVAL ORSOVA S.A.	2016	Manufacturing
OLTCHIM S.A.		2017	Manufacturing	
SANTIERUL NAVAL ORSOVA S.A.		2017	Manufacturing	
Receipts and payments of receivables and debts	OLTCHIM S.A.	2016	Manufacturing	
	ALTUR S.A.	2017	Manufacturing	
	OLTCHIM S.A.	2017	Manufacturing	
	PREBET S.A.	2017	Manufacturing	
Trading shares	CEMACON S.A.	2016	Manufacturing	
	TERAPLAST S.A.	2016	Manufacturing	
	TURBOMECANICA S.A.	2016	Manufacturing	
	VRANCART S.A.	2016	Manufacturing	
	CONPET S.A.	2016	Transportation and storage	
	CEMACON S.A.	2017	Manufacturing	
	ZENTIVA S.A.	2017	Manufacturing	
	TRANSILVANIA CONSTRUCTII S.A.	2017	Construction	
	NATURA QUATTUOR ENERGIA HOLDINGS S.A.	2017	Financial and insurance activities	
Distribution of dividends	C.N.T.E.E. TRANSELECTRICA	2016	Electricity, gas, steam and air conditioning supply	
	CARBOCHIM S.A.	2017	Manufacturing	
	TURISM FELIX S.A.	2017	Accommodation and food service activities	
Interests and commissions	TURBOMECANICA S.A.	2016	Manufacturing	
Canceled contractual commitments	ALRO S.A.	2016	Manufacturing	

Source: Own projection, 2018

As can be seen in **Figure no. 1**, the subsequent events that occurred most often and almost in all sectors of activity were related on changes in the activity plans, reorganizations, resignations and appointments in management positions. This fact was primarily due to areas of activity which requires a constant concern whit the good running of the business.

The second place was made by extensions of loan agreements, followed by disputes that companies have with various institutions and trading of shares, present in different sectors. A significant share was held by subsequent events related to the distribution of net profit from various destinations, event mainly encountered in the manufacturing and hotel industry.

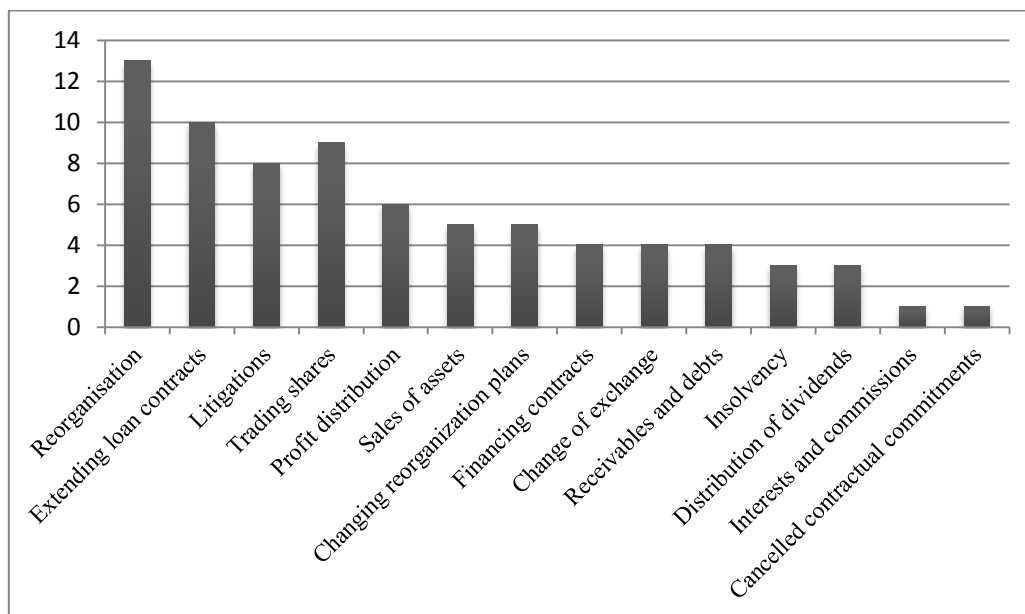
The classification is followed by sales of real estate, encountered only in the manufacturing industry, and

modification of sections of activity in the manufacturing, mining and transport industry.

Less frequent there are: extension of funding contracts, modification of exchange rate and the rate of inflation, following unpaid claims and debts, predominant in the manufacturing industry. Also, the subsequent events related to the opening of the insolvency procedure are met exclusively in the manufacturing industry.

In the second to last place was the establishment and distribution of dividends to shareholders and associates, in most cases calculated from the undistributed profit of the previous year. Once encountered in the companies of manufacturing industry are the interest and commissions of the banking institutions, as well as the cancellation of contractual obligations with suppliers who have not carry out their contractual obligations.

Figure no. 1. Type of subsequent events



Source: Own projection, 2018

Following the analysis there were identified various subsequent events at the companies analyzed in each sector of activity. A comparison is made between subsequent events occurring in each sector for each year, whose graphic representation is in **Figure no. 2**.

The mining and quarrying industry was the only industry in which all three companies included in the studied sample presented after the reporting

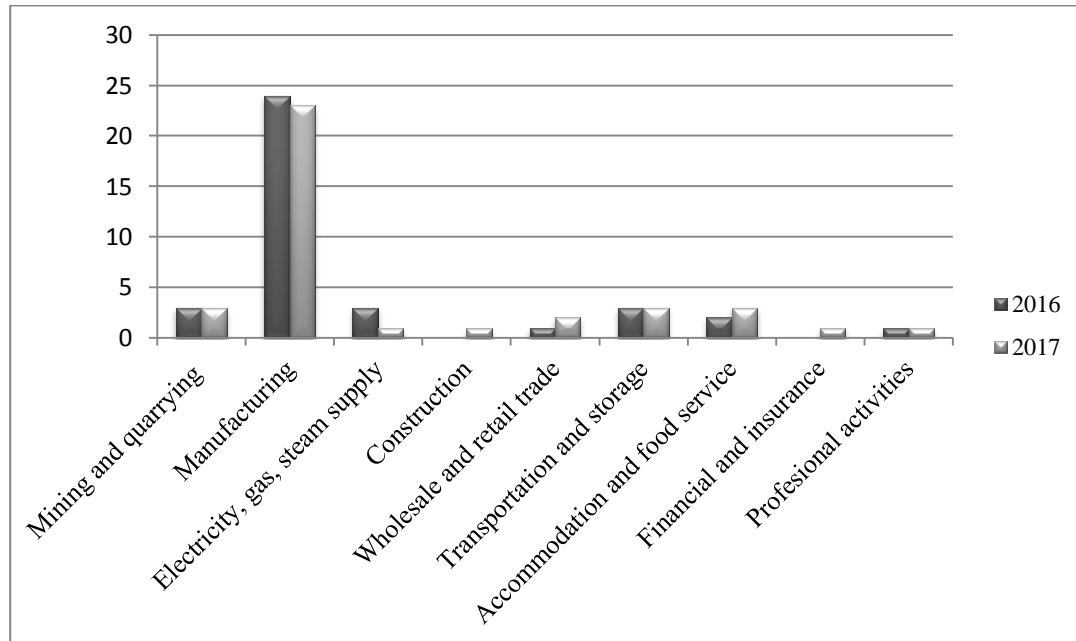
date various subsequent events, both in 2016 and in 2017. In 2016, the main events that occurred were about disputes and extension loan contracts. The next year, the companies registered in addition to the two mentioned events, reorganizations and resignation from leading positions.

Most companies operate in the manufacturing industry, the subsequent events being present in more than a half

of the companies analyzed. Because this industry has more than one object of activity is justifiable that the subsequent events vary. Therefore, in 2016 are present subsequent events related to the profit distribution, sales of assets, cancellations the contractual commitments,

reorganization, change of exchange rate, disputes and even insolvency procedures. In 2017, besides the type of events that have previously occurred, we can take into account: setting up a secondary office and closing a workplace.

Figure no. 2. Frequency of subsequent events by sectors of activity



Source: Own projection, 2018

Companies in the field of energy production and supply, gas, heating and air conditioning also presents subsequent events in both years. Both in 2016 and in 2017, events were referring to litigations, dividends, amendments to the Constitutive Act and last but not least, the removal of an object of secondary activity.

Companies in the construction sector did not register any subsequent events in 2016, and in 2017 the only subsequent event referred to the stock trading.

The companies from trade sector reported events such as the extension of credit agreements in both years, in 2017 also presenting disputes.

In the case of companies in the transport and storage sector, have occurred in both years similar events, regarding the approval of the Revenue and Expenditure Budget and the extension of financing contracts.

Companies from the accommodation and food service activities have obtained events specific to the field of activity, the distribution of net profit being frequent, followed by resignations from management positions and obtaining loan contracts.

Within the financial and insurance industry, a single company was analyzed, which in 2016 did not report any subsequent events, and in 2017 reported as the event the intention to increase the share capital by issuing shares.

A single entity was also analyzed in the professional activities sector, having in 2016 disputes and insolvency proceeding, and in 2017 presented in addition to the previous year resignation from leading positions.

To highlight the factors that influence the reporting of subsequent events a descriptive statistic was made of the indicators analyzed in **Table no. 3**. One can see that out of the total number of observations, 124

(representing the 62 companies for 2 years) an average of 50% of cases reported subsequent events. An average of 35% of the analyzed financial statements were audited by auditors belonging to the Big4 group. On average 81% from the number of observations the auditors issued unqualified opinions.

Table no. 3. Descriptive statistics

Variable	Mean	Standard Error	Standard Deviation
Subsequent events	0.5000	0.0451	0.5020
The auditor's category	0.3548	0.0431	0.4804
The auditor's opinion	0.8145	0.0350	0.3903
Financial result	0.7823	0.0372	0.4144
The company size	0.4677	0.0450	0.5010

Source: Own projection, 2018

From the total number of observations, in 78% of the cases the companies obtained profit, and about 47% of companies ranked as large companies, the difference of 53% being represented by small and medium enterprises.

The correlation between variables is presented in **Table no. 4** which shows that the dependent variable *subsequent events* is in a moderate positive correlation with the auditor type (0.37). From the independent variables the most relevant positive correlations identified are between the type of opinion and the result obtained by the company (0.45), as well as, between the type of auditor and the size of the company (0.31).

Table no. 4. Correlation Matrix

	Es	Ca	Oa	Rf	Sc
Es	1				
Ca	0.3708	1			
Oa	-0.0207	0.0503	1		
Rf	-0.0586	0.1462	0.4520	1	
Sc	0.1616	0.3181	0.1146	0.2596	1

Source: Own projection, 2018

The model was tested with all the independent variables, but also with each variable independently. From the model testing with one variable that had the highest correlation coefficient, the auditor category (Model 1)

showed that there is a strong link between both (Multiple R was 0.63) and that the change of auditor's category may influence with 63% the change in reporting of subsequent events (**Table no. 5**).

Table no. 5. Regressions results for Model 1

Regression Statistics	
Multiple R	0.6318
R Square	0.3992
Adjusted R Square	0.3911
Standard Error	0.5503
Observations	124

ANOVA					
	df	SS	MS	F	Significance F
Regression	1	24.50	24.75	81.724	2.933
Residual	123	37.25	0.302		
Total	124	62			

	Coefficients	Standard Error	t Stat	P-value
Intercept	0	#N/A	#N/A	#N/A
Categ auditor	0.75	0.0830	9.0402	0.0000

Source: Own projection, 2018

After testing the model with all the independent variables (Model 2) was observed that the model was validated in the case of the variable auditor's category, but with an important significance also of

the variable auditor's opinion, according to the **Table no. 6**. Modifying the independent variables influences in a proportion of 52 % the change of the dependent variable.

Table no. 6. Regressions results for Model 2

Regression Statistics	
Multiple R	0.7217
R Square	0.5208
Adjusted R Square	0.5005
Standard Error	0.4976
Observation	124

ANOVA					
	df	SS	MS	F	Significance F
Regression	4	32.2885	8.0721	32.6021	0.0000
Residual	120	29.7115	0.2476		
Total	124	62			

	Coefficients	Standard Error	t Stat	P-value
Intercept	0	#N/A	#N/A	#N/A
Ca	0.4348	0.0978	4.4480	0.0000
Oa	0.2789	0.1091	2.5565	0.0118
Rf	-0.007	0.1176	0.0595	0.95264
Sc	0.1271	0.0962	1.3213	0.18890

Source: Own projection, 2018

Next, the model was been tested with only these two variables (Model 3) for which the model was validated, the change of the two variables influence

in proportion of 51% the change of the dependent variable, and Multiple R shows a very strong link between them (**Table no. 7**).

Table no. 7. Regressions results for Model 3

Regression Statistics	
Multiple R	0.7166
R Square	0.5134
Adjusted R Square	0.5013
Standard Error	0.4973
Observations	124

ANOVA					
	df	SS	MS	F	Significance F
Regression	2	31.834	15.916	64.372	9.120
Residual	122	30.166	0.2472		
Total	124	62			

	Coefficients	Standard Error	t Stat	P-value
Intercept	0	#N/A	#N/A	#N/A
Auditor category	0.7822	0.0901	5.3515	0.0000
Auditor opinion	0.3183	0.0594	5.3524	0.0000

Source: Own projection, 2018

For revision, the model has been tested only with the auditor's opinion variable (Model 4) turning out that dependent variable *Subsequent events* can be

influenced to some extent (39%) also by the variable Oa, but the link is not as strong (Table no. 8).

Table no. 8. Regressions results for Model 4

Regression Statistics	
Multiple R	0.6318
R Square	0.3992
Adjusted R Square	0.3911
Standard Error	0.5503
Observations	124

ANOVA					
	df	SS	MS	F	Significance F
Regression	1	24.752	24.7524	81.7384	2.9215
Residual	123	37.248	0.3028		
Total	124	62			

	Coefficients	Standard Error	t Stat	P-value
Intercept	0	#N/A	#N/A	#N/A
Opinion auditor	0.4951	0.0547	9.0409	0.0000

Source: Own projection, 2018

Therefore, the independent variables that influence the reporting of subsequent events which were identified are

the auditor's category and the opinion issued by the auditors, as shown in Table no. 9.

Table no. 9. Synthesis of regression results

	Model 1	Model 2	Model 3	Model 4
Observations	124	124	124	124
Multiple R	0.721	0.631	0.631	0.716
R-squared	0.520	0.399	0.399	0.513
F	36.60	81.72	81.73	64.37
Ca	0.434 (4.448)***	0.75 (9.040)***		0.482 (5.351)***
Oa	0.278 (2.556)***		0.495 (9.041)***	0.318 (5.352)***
Rf	-0.007 (-0.059)			
Sc	0.127 (1.321)			

Source: Own projection, 2018

Conclusions

Throughout this article were presented the theoretical and practical aspects regarding the accounting and

auditing subsequent events, necessary for the good performance of the economic activity of an entity. The topic of subsequent events remains an important subject to be followed by users of financial statements when

they take investment decisions or other strategic decisions.

The subsequent events are and will continue to be a key area in audit processes and it is essential that everyone involved in this process knows what audit evidence are required for the auditor to confirm that the accounting policies and disclosures have been correctly applied in the annual financial statements.

An important conclusion that comes after this work is that subsequent events can provide important information, sometimes even essential to ensure the observance of the principle of continuity activity, both for the management of the entity and for the auditor of the financial statements, similar to Lessambo's (2018) research.

In accounting terms, post-balance sheet events are reflected in the financial statements, when events require an adjustment, or explanatory notes, when events are not so significant that they need to reflect the values in the financial statements.

From the point of view of the implications in audit it is very important the time when auditors discover these events, because, depending on the period in which they occurred, these events may influence the auditor's opinion and, in some cases, even amending the initial

audit report issued by the financial statements. Practice can focus on complex events, but by rigorously applying the rules of accounting and auditing standards, and using professional judgment, the most effective views on an audit mission can be built.

The article can be a bibliographic source for researches in the field of accounting and financial audit, for enterprise's management, to understand the necessity and the importance of reporting subsequent events, as well as for the practitioners of the accounting profession who find in the paper indications of the types of subsequent events which can be reported, as well as the fact that they can influence the assessment of how the enterprise respect or not the principle of continuity activity.

The limits of the research were the fact that it is not a certified database, the data were collected manually, being retrieved from information published by the companies, their confidence being provided by the independent financial auditor's reports.

Future research directions can be materialized into expanding the number of companies and the period of study, as well as a comparative analysis of the reporting of subsequent events of the companies from different countries.

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