

# The Impact of the Events Subsequent to the Date of the Balance Sheet on the Position and Actions of the Independent External Auditor

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## Introduction

The events subsequent to the date of the balance sheet should be taken into account by the independent external auditor due to its importance and the ability of these events to have a positive financial impact on the results displayed by the financial statements in addition to helping the independent external auditor express his own technical judgment to provide a just representation of the financial statements based on the clients status.

Moreover, these events may reveal certain circumstances that can help the independent external auditor undertake important decisions and prepare to undertake other decisions based on the results of the audits carried out and how to handle such events.

Therefore, we have decided to make a modest effort to reveal the nature of these events, their impact and the procedures required to be undertaken by the independent external auditor to detect and evaluate it, to determine the professional procedures based on it, so as to ensure the accuracy of the clients financial statement integrity from any possible cause of misleading to the users financial statements and in order for the independent external auditor to ensure that his reports correspond to the results emerging from these events.

## 1-The research problems

The problems with this research results from the independent external auditor's stance and actions towards the impact of the events subsequent to the date of the balance sheet as these events demand his attention to verify the existence and to assess their impact on the results displayed by the financial statements and the following questions represents the research problem:

**What are the procedures set by the auditor to detect, treat and exhibit the subsequent events on the financial statements?**

## 2-Research Objectives

This research aims to achieve the following objectives:

1. The identification of the events subsequent to the date of the balance sheet and its impact on the results presented by the financial statements.
2. The identification of the actions required to be undertaken by the independent external auditor to detect, assess and exhibit its impact on the financial statements.
3. The identification of the independent external auditor's actions, so as to ensure the accurate representation of the client's financial statements and the safety of the report from the possibility of misleading the financial statements users.

This research aims through the above objectives, to contribute towards improving the auditing profession and directing attention to the importance of the events subsequent to the date of the balance sheet and to activate the necessary audit procedures to detect and assess the impact of these events on the financial statements in addition to the auditor's opinion towards it.

## 3-The importance of the research

The importance of this research is related to the importance of the financial statements and its integrity and the accuracy of the results it contains, in addition to the independent external auditors report so as to ensure the benefits of both interested parties, through the financial statements and its uses in making different decisions.

The importance of this subject (the events subsequent to the date of the balance sheet), Has caught the interest of the professional and regulatory organizations and caused them to issue publications and statements, based on the necessary audit procedures to detect and handle its effects. For example: International Accounting Standard No. (10), as well as the guidelines issued by the American local organizations, such as, the Financial Accounting Standards Board of the American Institute of Certified Public Accountants (AICPA), and the Public Company Accounting Oversight Board ( PCAOB ).

**4-The research variables:**

Independent variables	Intermediate variables	Dependent variables
1-The Subsequent events require an adjustment in the financial statements	1-The awareness and knowledge of the nature and significance of subsequent events	1-Auditors report
2-The Subsequent events require disclosures associated with the financial statements	2- Make the necessary professional care	2- Assess the new information to be discussed with the client, to determine the appropriate action
3- The subsequent discovery of the facts	3- Inquiries and authorizations	3-Assess the situation and consult with the lawyers to determine responsibilities.
4-The discovery of non-implementation of the recognized audit procedures during field audits		

**5-The research hypothesis:**

The research seeks to achieve its objectives by identifying the stance of the independent external auditor towards the subsequent events in order to disclose and assess it, in addition to handling its effects and that is done by testing the following hypotheses:

- 1- The independent variables (1,2, 3, and 4) do not have any impact on the dependent variables (1, 2,3)
- 2- The independent variables (1,2, 3, and 4) do not have any impact on the dependent variables (1, 2,3) based on the intermediate variables (1, 2,3).

**6-The Research Methodology:**

The collection of data in this research depended on 2 ways:

First- **The descriptive way**, through a review of the literature related to the subsequent events in books, scientific journals and others.

Second- **The analytical method**, through a questionnaire designed by the researchers based on previous theoretical studies. This questionnaire included 10 dimensions which included the research variables (independent, intermediate and dependent) as well as demographic information on the sample researched.

**7- The research sample and the community:**

The research sample consists of the holders of scientific and academic qualifications, such as people specialized in accounting and auditing, or having occupational accounting certificates in addition to the related specialties such as Finance and Banking, Business Management, and Economics.

As we were not able to limit the research community, we have adopted a random sample selection represented in a number of the mentioned qualifications holders within the demographic information, where the characteristics of the community are divided naturally, and the no. of questionnaires reached a total of 80 and based on the following table:

The Table showing the number of questionnaires distributed, recovered and applied by analysis:

Questionnaire	Ph.D. No. Percentage		Masters No. Percentage		Occupational certificates(*) No. Percentage		Total No. Percentage	
Distributed	40	50	25	31	15	19	80	100
Recovered	40	54	22	30	12	16	74	92
Excluded	1	20	2	40	2	40	5	6
Applied by analysis	39	57	20	29	10	14	69	86

Occupational certificates (\*) included:

Certificate	Number	Percentage
CPA	2	2.9
CIA	6	8.7
JCPA	2	2.9

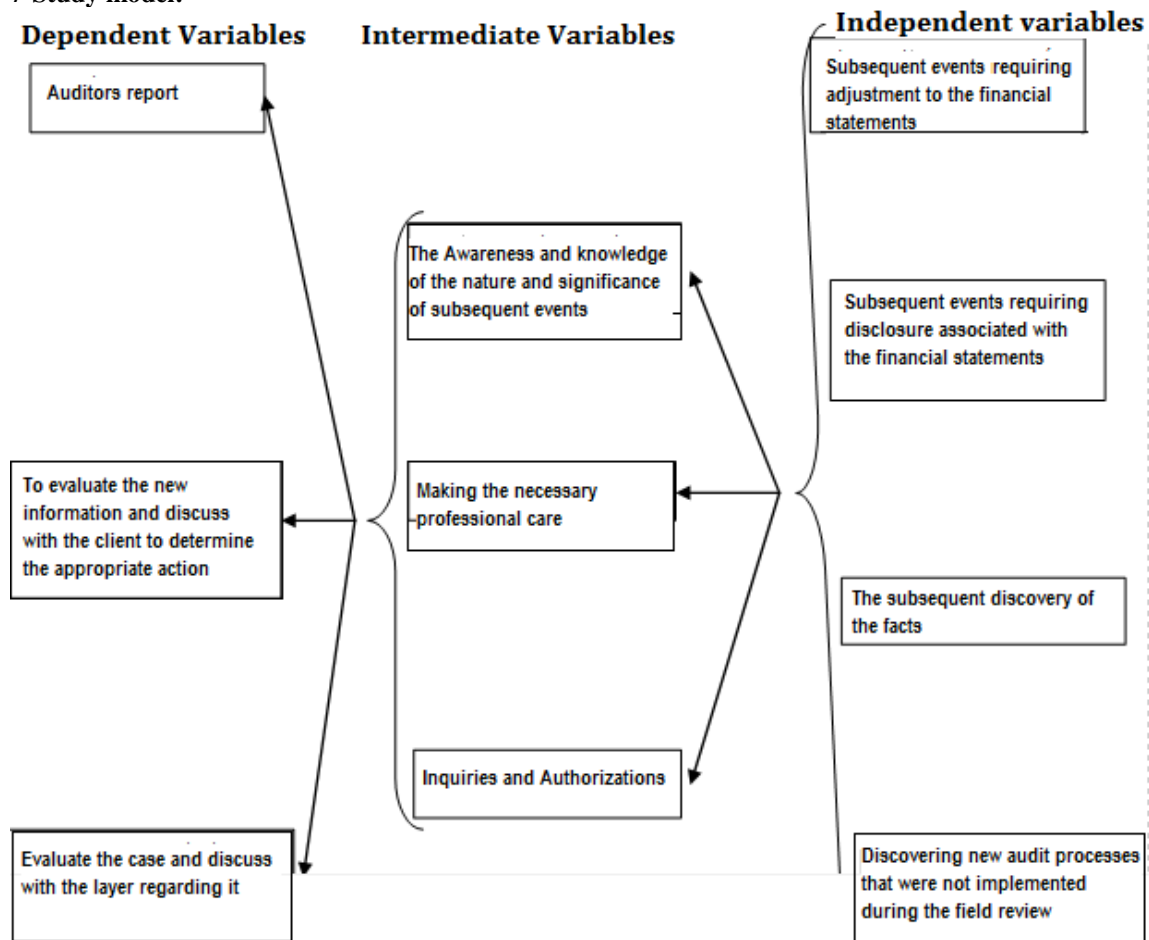
Likert scale was used for the answers of the respondents, according to the following grades:

Very Acceptable	Acceptable	Neutral	Not Acceptable	Very not acceptable
5	4	3	2	1

To make sure of the sincerity of the tool used, it has been judged by some academics, professors, and

professionals experienced in the field of accounting, and other related specialties, in order to ensure that the questions were realistic and measures the adequacy of the research topic and achieves their objectives.

**7-Study model:**



**8-Methods of Applied analysis:**

For the analysis of data obtained from the questionnaires, firstly we have adopted the use of statistical descriptive methods, such as repetition and percentages, and measures of central tendency and measures of dispersion - the standard deviation, the lesser and the higher value, as it turns out that the arithmetic mean of the variables of the study ranged from 4.31-4.49 and standard deviation 0.75, 0.61 respectively, in a higher level. For the testing of the first hypothesis, we used simple regression and calculated correlation coefficients as well as F-test.

Moreover, for the second hypothesis we made use of the track analysis method, using **AMOS 18** program, backed up by the **Statistical Package for the Social Sciences (SPSS)**

### 9-Previous studies-

Despite its importance, there were no previous studies found. Hence the following is what was found:

Researcher Name	Research Title	Research objectives	Research Results	Current Research
Zainab Hemedi Abbas	The economic impact of non-disclosing the subsequent events	The embodiment of the economic effects of non-disclosing the subsequent events	Recommends the presence of specific acts towards emergency possibilities and preparing the financial statements	The identification of the subsequent events, its importance and the stance of the independent external auditor and the actions taken towards this topic
Al Sayed Shahata Al Sayed	To Study and test the knowledge of the auditors in Egypt regarding the review of the subsequent events related to the balance sheet-experimental study	To Study and test the requirements for reviewing the subsequent events and the requirements for planning and implementing procedures for gathering the sufficient and appropriate evidence and to modify the auditor's report and his neutral technical opinion	The need to update the Egyptian standards for the review of subsequent events as well as the work procedures manual for the review of subsequent events and to recommend that there should be a significant role for the accounting departments at the universities in the process of the review of the subsequent events.	To define the subsequent events, as well as the actions of the independent external auditor so as to ensure the integrity of the audit reports and prevent the users of the financial statements from any misleading that could happen.

### 10. The Definition of subsequent events:

The term subsequent events refer to an event or process, occurring after the date of the balance sheet, but prior to completion of the audit and the issuance of the auditor's report.

These events are classified into two main types:

- 1- The subsequent events that have a direct impact on the financial statements, and require an amendment to the elements of the financial statements.
- 2- The subsequent events that have no direct impact on the financial statements, and does not require any amendment to the elements of the financial statements, but may require to be dealt with or disclosed based on the auditor's judgment towards its importance and impact.

The two types of subsequent events mentioned requires the management's attention as well as the auditor's judgment (those who have a direct impact on the financial statements) in addition to requiring modifications, to those that do not have a direct impact on the financial statements, but it is advised to be disclosed. (Arens, 2006)

The International Accounting Standards no.10 (\*) defines subsequent events as events that

Take place after the date of the balance sheet, but before approving the issuance of the financial statements, these events may show that financial statements known paid-amounts that may require modifications, or requires disclosure.

The unusual events or transactions, which might occur subsequent to the date of the balance sheet, may have a significant impact on the financial statements. These events may be of importance for the study of these sheets,

These events or transactions, may require an adjustment on the financial statements if it appears to the auditor that the event may be obtained on the date of the balance sheet, or before that date, or may require presenting notes in conjunction with the financial statements, if the auditor finds that the events took place after the date of the balance sheet (\*\*), as a result of that, the independent external auditor should pay attention to such events, so that it should be compatible with the third criterion of the standards of preparing an auditors report. (Abdullah, 2012).

The amount and extent of the tests carried out by the independent external auditor, to these events, vary according to circumstances, including, the strength of internal controls, applied by the client. The auditor in charge has to determine whether the field of reviewing the subsequent events was satisfactory or not,

(\*) *These standards were adopted by the International Accounting Standards Committee, in March 1999, and are valid on the annual financial statements beginning on 1 / k 2/2000, or after this date.*

(\*\*) *Review of the international standard IAS No. / 10.*

The auditor's responsibility regarding the subsequent events starts from the date of the balance sheet

and ends on the date of completing the field auditing. It is the auditor's job to make sure that the transactions beyond the date of balance sheet had gained the necessary attention and all the notes regarding that have been added to the working papers. (Arens, 2006)

The accounting standards (International Accounting standards no.10) have classified the subsequent events into 2 categories (\*):

### 10.1 Adjusted events:

These events provide extra evidence to the presence of conditions on the date of the balance sheet-the origin of the event in the current reporting period- as these events have a direct impact on the financial statements and require making amendments to the values present in the balance sheet. Moreover, the management, through the information present based on the subsequent events, aims to undertake actions that fulfils a just account balance as to the date of the balance sheet, it also summons the auditor to evaluate the subsequent event and ensure the integrity of the actions taken (Al Thneibat, 2015)

Examples of subsequent events that requires modification (Arens, 2006):

- 1- Declaration of the client's bankruptcy due to deteriorating financial conditions, or due to having a stalled balance, within the debit accounts.
- 2- Settling a lawsuit, with an amount different from the amount recorded in the books.
- 3- Excluding equipments that are no longer used in operations, at a price lesser than the carrying value.
- 4- Seeking investments at a lesser cost

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*The Financial Accounting Standards No. 165, May 2009 statement, shows that subsequent events occur after (1) and before (2)*

- 1) *The date of the balance sheet*
- 2) *The date of issuance of the financial statements for public companies, and the date on which, the financial statements become available for issuance, for other companies.*

*(Release date means: the date of distributing the financial statements on a large scale for public use)*

*Available for issuance means: That all necessary approvals, have been done in order for it to be released and the International Standard No. (10) Reveals that the date of approving the issuance of the financial statements is usually the date of issuing the authorization outside the facility.*

### 10.2- Non-Adjusted Events:

These events show conditions that arose after the date of the balance sheet, as subsequent events of these kinds, provide evidence of the non-present conditions on the date of balance sheet - the subject of the report - which, on the other hand, are important enough to require the disclosure of the associated financial statements. Such events can be disclosed enough, in the form of notes, but it may occur that these events maybe important enough to require providing the financial statements, to show the impact of the event as if it has happened on the balance sheet date. (2002, Arens and Loic).

Examples of subsequent events, which require disclosure, are the following:

- 1- The decline in the market values of investments held on a temporary basis or for resale.
- 2- The issuance of shares and bonds.
- 3- A decrease in the market value of the stock.
- 4- Unsecured stock losses due to fire.
- 5- A merger or purchase operation.

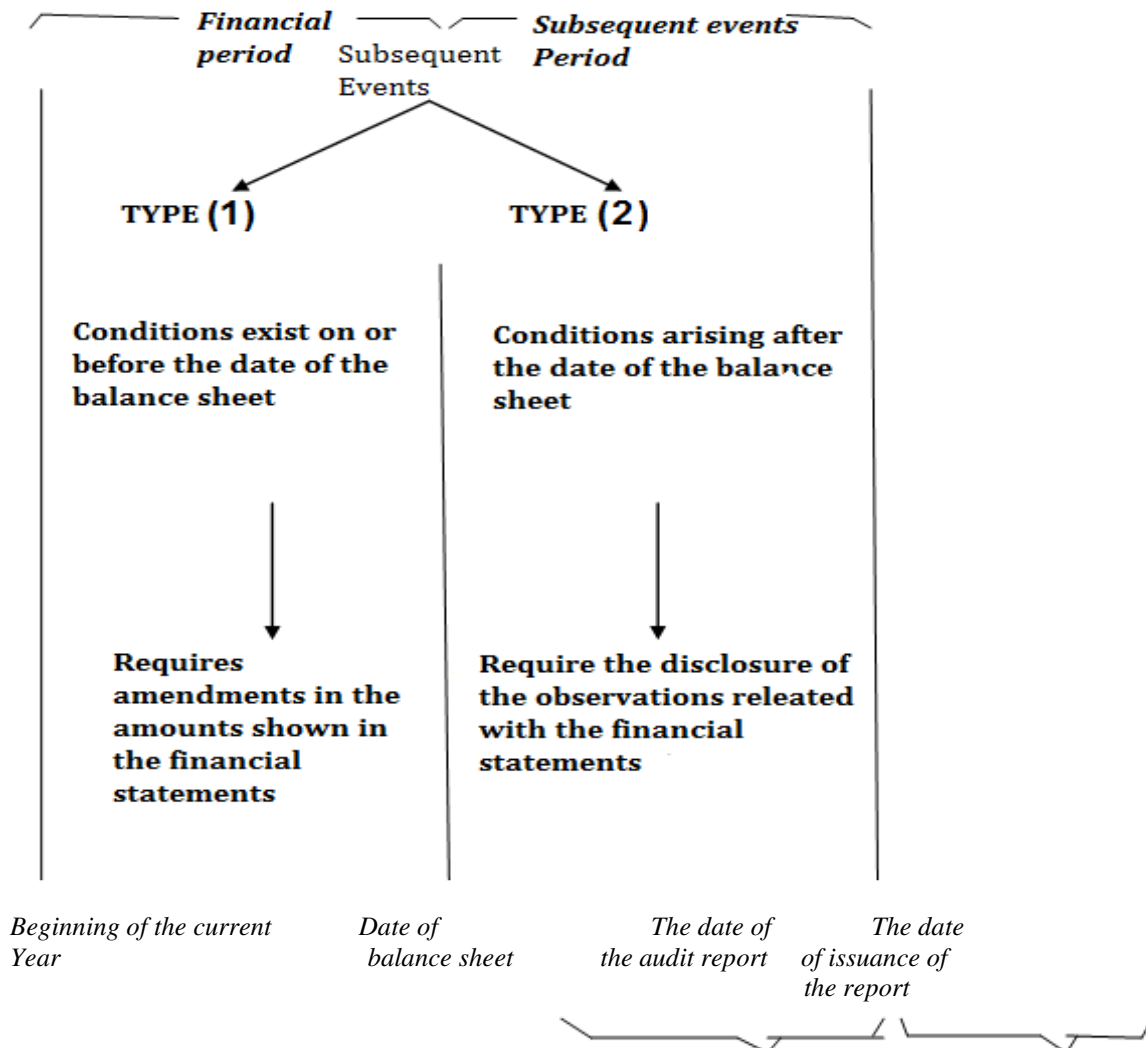
The auditor may also discover that the events are related to the internal control over the financial statements by the end of the year; hence in this condition, his report should include an explanatory paragraph regarding the event and its impact, or guide the readers towards clarifying the management report on internal control and figure (1) depicts, both types of subsequent events (\*):

Some resources add a third type, such as the Audit Committees; related to the American Institute of the Certified Public Accountants, under the name of subsequent events of a non-accounting nature (Abdullah, 2012), Where it lists as subsequent events unrelated to the financial statements, and these events require the auditor to consider them carefully to reach a decision on whether to disclose it or not. He may decide to disclose it if he felt that this disclosure would provide a better understanding of the facility operations and financial position, out of this sufficient disclosure, which is set by the third criterion of the standards of preparing the audit reports (Abdullah, 2012), Examples of such events are: product changes, labor strikes, agreements with trade unions, the loss of an important customer, certain administrative changes.

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(\*The subsequent events period, so called as the subsequent period, is limited, and depends on the practical requirements of each audit operation, it may range between a relatively short periods or stay up to over several months. (PCAOB, AU 560) .Where the auditor is meant to complete the various aspects of the tests, including the review of the events and subsequent operations.

As for Jordan, the Jordanian Companies Act have specified that the subsequent events period, as the period which is three months following the end of a financial year. (Abdullah, 2012)



**figure(1)-Subsequent events**  
 Resource: CPA Exam Review

**" Auditing & Attestation ",2012.**

**10.3-Facts discovered later:**

**These facts are of two types:**

**1) Facts discovered later and becomes known to the auditor before the release of the report:**

It is known that the auditor is not required to perform any audit procedures after the date of his report (Al Thneibat, 2015) However, when it reaches his knowledge, that certain facts are discovered later and before the release of the report, he has to be discuss it first with the management and the company’s governance officials And determine if the financial statements should be modified, or not. If this modification happens, he has to either date his recent report with the latter date or expands the audit procedures to the subsequent events or to

dual date his report. (\*) and link the second date with the facts discovered later and if the administration refuses to make any modifications on the financial statements, this report will lead to the issuance of notes, or issuance of a negative opinion.

## 2- Facts discovered later and become known to the auditor after the release of the report:

The auditor should also in such case discuss the issue with the management, And should also determine whether the financial statements need to be modified or not, if they need to be modified, he should request the management to issue a quick adjustments to the financial statements including clarification to the reasons for such amendments. The auditor should as well make sure that appropriate steps are taken- if possible- and to inform all those who are dependent on the financial statements. And he is responsible for that (Daoudouh and Al Qadi, 2012) The auditor may also issue a new report on the amended financial statements, with the necessary clarifications (Al Tamimi, 2006)

If the administration refuses to cooperate in the disclosing of the information based on the wrong information. The auditor should notify each member of the board of directors. Also, the auditor should inform the client's relevant authority, that the financial statements are no longer reliable. Figure (2) shows the differences between the period covered by the audit for subsequent events, and the subsequent period between the discoveries of the facts, after the date of the audit report.

(\*)The audit report can be dually dated as follows: (Arens, 2006)

(March 11, 2006, (except for the remark number 17), which is dated March 31, 2006)

**Figure 2: Audit of subsequent events and the subsequent facts discovery.**

The period of subsequent facts discover		The period of Auditing the subsequent events
26/3/2006	11/3/2006	31/12/2005

Date of issuing the financial statements

date of the audit report

Source (Arens, 2006)

## 10.4- The discovery of failing to apply to the acceptable audit procedures after the release of the report:

Auditor may discover that one or more of the generally accepted audit procedures; did not apply while doing field work procedures. In this case, the auditor should determine the importance of the deleted procedure and its impact on the adequacy and appropriateness of the evidence and the persons or entities that rely on his report.

If the necessary procedure is deleted, for example, it affects the current ability of the auditor to support his former opinion. (CPA EXAM ,2012)

If it is thought, that the individuals or entities are dependent, or are likely to be dependent on one of the subjects of the financial statements of the auditors report, he or she can discuss with the client the possibility of applying the procedure or a find a substitute for it. If the client did not allow (for whatever reason) the application of the procedure or a substitute for it, the auditor should (in whatever the case) discuss with his lawyers his responsibilities towards reaching the appropriate measure (Jack, 1998) (\*)

## 11-The subsequent events auditing procedures:

### Audit procedures regarding the review of subsequent events are divided into two parts:

11.1-These are procedures which are applied to the context of the account balances at the end of the year, such as integrated audit procedures which includes point separation tests and the evaluations that are made during the subsequent period, and these tests are used to verify the process of separating the current and subsequent period's operations.

(\*) In the United States, the AICPA – The firms audit department- claims that these companies should have Peer Review Where the auditor's report and working papers, are subject to review after the release, and this review is done for quality control which is done by another auditing firm.

Moreover, many assessment tests are done to investigate the account balances. For example, it is common to test the possibility of collecting the debited accounts through a review of all of the collections during the subsequent period. The stock purchase costs are compared in the subsequent period with the cost of the recorded stock as a normal audit test to assess the valuation of the cost or market, which one is lower.

11.2-Procedures to be implemented in a particular manner, For the detection of the subsequent events are used in order to obtain information about the presence of subsequent events, including the following:

### 1. Inquiries to the management:

These inquiries are usually in connection with the existence of any emergency liabilities , or pledges, or significant changes in the assets or capital structure, long-term debt, the current position of some matters that have not been fully resolved in the date of the balance sheet, and unusual adjustments that are made subsequent

to the date of the balance sheet And hence, the auditors of public companies should inquire from the administration regarding any changes made subsequent to the end of the financial period, in internal control over financial statements.

The inquiries mentioned in the process of subsequent events, should be directed to the appropriate customer personnel, in order to get useful answers. Moreover most of the inquiries went to the chief financial officer, or Vice President, or the President, are based according to the information wanted to be obtained. Also, the auditor may be required, to direct some inquiries, to the client's lawyer, or legal entity.

**2-Review of quarterly financial statements, after the date of the balance sheet (if any):**

The focus during this audit is on: (Arens, 2006)

B / 1- Changes in the activity related to the results of the corresponding period in the period under audit

B / 2- changes after the end of the period.

The auditor should pay careful attention to the important changes, and discuss it with the management, in order to prove that it had been prepared according to the same principles and rules as in the period under report, and to inquire about any significant changes in the operating results.

B / 3 - Review of the accounts prepared after the date of the balance sheet

The auditor should review these accounts in order to determine the presence and the nature of the important tasks in relation to the results of operations in the period under the audit, and if the accounts were not prepared until its time, the documents related to it should be examined.

Moreover, the auditor should test the internal audit reports, and the reports from the agencies that issue instructions during the period of the review of the subsequent events.

B / 4 – Accessing the meetings of the shareholders, management and the Audit Committee, which are held subsequent to the date of the balance sheet, in order to detect the importance and influences of the subsequent events on the financial statements for the period under audit.

C – Get a representation letter

The Auditor gets the representation letter from the management, dated on the end of the field work so that the management is held responsible for informing him about the subsequent events .As after that date, the auditor will leave the company and the management is supposed to inform him about any subsequent events (Al Tamimi ,2006)

For the various events during the audit process, including discussions on subsequent events. The representation letter should show, if there are any events or transactions, since the date of the balance sheet, which can make financial statements materially incorrect, or misleading

**12-. Data analysis and hypothesis testing:**

The independent variables (1), (2), (3), (4) Does not have any statistically significant impact on the dependent variables (1), (2), (3).

To answer this hypothesis a simple regression analysis was used to calculate the impact of the independent variables on the dependent variables and the results were as in the following Table (1): -

Independent variables	The correlation coefficient	The level of significance	Statistical T.Value	Effect	The dependent variable
Subsequent events requiring amendment	0,456	>0,05	17,569	Indicative	Auditor's Report
	0,436	>0,05	15,717	Indicative	Evaluation of the new information
	0,195	<0,05	2,636	Indicative	Evaluation of the impact of the deleted procedure
Subsequent events requiring disclosure	0,618	<0,05	41,339	Indicative	Auditor's Report
	0,289	>0,05	6,088	Indicative	Evaluation of the new information
	0,549	>0,05	28,836	Indicative	Evaluation of the impact of the deleted procedure
The subsequent discovery of the facts	0,502	>0,05	22,554	Indicative	Auditor's Report
	0,451	>0,05	17,135	Indicative	Evaluation of the new information
	0,550	>0,05	29,108	Indicative	Evaluation of the impact of the deleted procedure
The discovery of audit procedures have not been implemented	0,672	>0,05	55,215	Indicative	Auditor's Report
	0,628	>0,05	43,604	Indicative	Evaluation of the new information
	0,669	>0,05	54,196	Indicative	Evaluation of the impact of the deleted procedure



The above table shows that The independent variables (1), (2), (3), (4) have statistically significant impact on the dependent variables (1), (2), (3). With the exception of 2 paragraphs related to impact of subsequent events that requires amendments to the financial statements on the assessment of the impact of the deleted procedure and the auditor should consultation with his lawyer his responsibility towards it as the correlation coefficient was 0.195 and 2.636 t statistical significance level greater than 0.05.

### 12/2 – Testing the second hypothesis

There is no effect of the independent variables (1,2,3,4) on the dependent variables (1,2,3) under the intermediate variables (1,2,3)

To test this hypothesis:

Firstly, the effects of the intermediate variables were tested on the dependent variables using simple regression where the results were as in the following table analysis (2): -

**Table (2)**

Results of the regression analysis of the effect of intermediate variables on the dependent variables

Independent variables	The correlation coefficient	The level of significance	Statistical T.Value	Effect	The dependent variable
The awareness and knowledge of the nature and significance of subsequent events	0,511	>0,05	23,648	Indicative	Auditor's Report
	0,513	>0,05	23,887	Indicative	Evaluation of the new information
	0,562	>0,05	30,886	Indicative	Evaluation of the impact of the deleted procedure
Making the necessary professional care	0,649	<0,05	62,266	Indicative	Auditor's Report
	0,475	>0,05	19,553	Indicative	Evaluation of the new information
	0,616	>0,05	41,061	Indicative	Evaluation of the impact of the deleted procedure
Inquiries and authorizations	0,652	<0,05	49,488	Indicative	Auditor's Report
	0,540	>0,05	28,864	Indicative	Evaluation of the new information
	0,627	>0,05	43,468	Indicative	Evaluation of the impact of the deleted procedure

The above table refers to the existence of a statistically significant positive effect for all intermediate variables (3,2,1) on the dependent variables (3,2,1) With the exception of the impact of the intermediate variable (Making the necessary Professional Care) On the dependent variable(Auditor's Report) Where the level of significance was greater than 0.05, and those relating to the impact of the intermediate variable (inquiries and authorization) as the level of significance is greater than 0.05.

To test the effect of the independent variables (1,2,3,4) on the dependent variables (1,2,3) in the presence of intermediate variables (1,2,3) as follows:

**Path analysis** was done using **Amos 18** supported by **SPSS** (Statistical Package for the Social Sciences) where each model was represented by the **Amos** program, for Checking the appropriate indicators for each model.

It was found that the model was appropriate after making amendments to the building model, as the ratio of chi-square /degrees of freedom was less than three 3> and the value of coefficients CFI and GFI <0.90

While the RMSEA value was <0.08, indicating a matching model and the results were as follows:

5- The effect of the independent variables (4,3,2,1) on the dependent variables (3,2,1) under the intermediate variable (The awareness and knowledge of the nature and significance of subsequent events).

Track transactions table of the impact of the independent variables on the dependent variables under the intermediate variable (awareness and knowledge of the nature and significance of subsequent events

P	C.R.	S.E.	St.Estimate	Estimate			
0.46	0.738	0.111	0.079	0.082	inde1	←-	mod1
0.003	2.926	0.11	0.412	0.322	inde4	←-	mod1
0.95	0.062	0.131	0.008	0.008	inde3	←-	mod1
0.038	2.078	0.105	0.255	0.218	inde2	←-	mod1
***	4.582	0.122	0.479	0.558	mod1	←-	dep1
***	5.706	0.097	0.574	0.553	mod1	←-	dep3
***	5.514	0.083	0.566	0.46	mod1	←-	dep2

From Table 3, it is clear that the path function coefficients were inde4, inde2 the intermediate and which was valued at 0.412, 0.255 order and the values of T have been statistically significant but the two independent variables (3.1) was not statistically significant, the impact of the intermediate on the dependent variables were all indictable, where the values of 0.479 and 0.574 and 0.566 and all of them have a positive impact.

The impact of the independent variables (1,2,3,4) on the dependent variables (1,2,3) under the intermediate variable (making the necessary Professional Care).

Track transactions table of the impact of the independent variables on the dependent variables under the intermediate variable.

Table (4)

P	C.R.	S.E.	St.Estimate	Estimate			
0.977	-0.028	0.102	-0.003	-0.003	inde1	←-	mod2
***	3.814	0.102	0.536	0.388	inde4	←-	mod2
0.781	-0.278	0.12	-0.038	-0.034	inde3	←-	mod2
0.095	1.67	0.096	0.207	0.161	inde2	←-	mod2
***	7.906	0.108	0.679	0.858	mod2	←-	dep1
***	6.234	0.102	0.61	0.636	mod2	←-	dep3
***	4.858	0.093	0.511	0.45	mod2	←-	dep2

From Table 4, it is clear that the path function coefficients were inde4 on the mediator and that was worth 0.536 and the value of T have been statistically significant, while the influence of other independent variables inde3, inde2, inde1 the dependent variables under the intermediate variable (to make the necessary professional care ) it has been weak, but the intermediate impact on the dependent variables were all indicative as its values where 0.679, 0.610, 0.511 and all of them had a positive impact.

The impact of the independent variables (1,2,3,4) on the dependent variables (1,2,3) under the intermediate variable (inquiries and authorizations ).

The path function coefficients were (inde4, inde2) on the intermediate which was valued at 0.414, 0.255 and the values of T have been statistically significant. Also, the intermediate impact on the dependent variables, all of which were a function where the values in the order in 0.617, 0.667, 0.601, all of which have a positive impact on the following table (5):

Table (5)

P	C.R.	S.E.	St.Estimate	Estimate			
0.107	1.611	0.101	0.168	0.163	inde1	←-	mod3
0.003	2.998	0.102	0.414	0.305	inde4	←-	mod3
0.73	-0.345	0.102	-0.045	-0.041	inde3	←-	mod3
0.034	2.121	0.096	0.255	0.203	inde2	←-	mod3
**	6.709	0.117	0.627	0.782	mod3	←-	dep1
**	7.042	0.096	0.667	0.678	mod3	←-	dep3
**	6.012	0.086	0.601	0.517	mod3	←-	dep2

### Conclusions:

- 1- The events subsequent to the date of the balance sheet have an advantage of great importance in terms of the impact it has on the results of transactions and financial position.
- 2- The professional institutes and agencies that are authorized to issue standards in various countries of the world, especially the ones having a developed interest in the subject of subsequent events and their impact on the results of transactions and financial position. They are also issuing legislation and standards that aim to oblige auditors to take appropriate audit actions to detect them and assess their impact.
- 3- The subsequent events include the following: -
  - a) Subsequent events affecting the values contained in the financial statements and require amendments.
  - b) Subsequent events that does not affect the values contained in the financial statements but its importance requires disclosure by observations made in conjunction with the financial statements.
  - c) Facts discover later whether before or after the issuance of the auditor's report.
  - d) The discovery of a failure to apply to generally accepted audit procedures while conducting field work procedures.
- 4- The results of simple regression on the impact of the independent variables on the dependent variables analysis showed a statistically significant impact (Table 1) Moreover the simple regression results marked a statistically significant impact between the intermediate variables on the dependent variables (Table 2) and the levels of significance less than 0.05 in most of the cases.
- 5- Path analysis regarding the impact of the two independent variables (2,4) on the dependent variables (1,2,3) was statistically significant and therefore rejects the null hypothesis based on the two variables ( the Subsequent events that require disclosure associated with the financial statements and the discovery of audit procedures that hasn't been implemented during field audits ) and is statistically significant on the dependent variables in the presence of intermediate variables.
- 6- Path analysis have indicated that the two independent variables:
  1. Subsequent events requiring adjustments on the financial statements.
  2. The subsequent discovery of the facts.Did not have any statistically significant impact on the dependent variables in the presence of the intermediate variables, which explains how the respondents have a problem in understanding the nature of the relations between these 2 variables, as any adjustment in the financial statements will affect the auditor's conclusion and report. Moreover, any subsequent discovery of facts requires the auditor's attention to take appropriate action thereon.

### Recommendations:

- 1- The researchers recommend that the professional agencies should issue awareness bulletins towards the importance and necessity of subsequent events identified during the implementation of field work procedures. Since the presence of the International Standard No (10) is not sufficient enough in this regard despite what it does offer in the process of remedying but it is agreed that it is necessary to draw the attention of auditors to this important aspect.
- 2- The researchers recommend that the accounting professors in universities should address the subject of subsequent events, as there are a lot of important points that could be raised by the professional organizations, in different countries, especially the developed ones, about issuing standards at the local level, especially in the United States.
- 3- The researchers recommend the need to educate the accountants and companies in the various economic institutions about the subject of subsequent events. As well as the need to diagnose and find the nature of their possible impact on the interested parties on understanding the financial statements properly.
- 4- The researches recommend that the companies departments should pay interest in the subject of subsequent events, and understand the importance of these events, so as to respond rapidly and appropriately to the requests and recommendations of the independent external auditor regarding the representation of the business results and financial position, in such a way as to exclude any possibility of misleading the interested parties.
- 5- The researchers recommend that the professional associations should take proper attention towards the subsequent events so as to decrease fraud and manipulations in the financial statements and to increase the accuracy of representing the financial statements according to the customer's condition.

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