



30 Cannon Street, London EC4M 6XH, United Kingdom
Phone: +44 (0)20 7246 6410 Fax: +44 (0)20 7246 6411
Email: iasb@iasb.org Website: <http://www.iasb.org>

**International
Accounting Standards
Board**

This document is provided as a convenience to observers at IASB meetings, to assist them in following the Board's discussion. It does not represent an official position of the IASB. Board positions are set out in Standards.

These notes are based on the staff papers prepared for the IASB. Paragraph numbers correspond to paragraph numbers used in the IASB papers. However, because these notes are less detailed, some paragraph numbers are not used.

INFORMATION FOR OBSERVERS

Board Meeting: 18 July 2006, London

Project: Amendments to IAS 37 (Agenda Paper 4C)

Amendments to IAS 37: Project planning update

INTRODUCTION

1. The next IAS 37 project milestone is roundtable discussions in the fourth quarter of 2006. As previously agreed, roundtable discussions will be held in three locations in November and December 2006¹. The purpose of this paper is to summarise the required steps to the roundtable discussions.

TOPICS FOR REDELIBERATION PRIOR TO THE ROUNDTABLES

2. Roundtable discussions will focus on the proposed amendments to the recognition and measurement principles, as applied to liabilities within the scope of IAS 37.²
3. Thus far Board redeliberations have focused on the main issues associated with the ED's recognition principle. These redeliberations continue in July with discussion of two topics:

Agenda Paper 4A: Eliminating the term 'contingent liability', and

¹ Connecticut, USA - Thursday 30 November; London, UK – Friday 8 December; and Melbourne, Australia – Wednesday 20 December.

² Amendments arising from the short-term convergence project (liabilities for restructuring costs, employee termination benefits, constructive obligations, onerous contracts) and the proposal to eliminate the term 'contingent asset' and to exclude items previously described as 'contingent assets' from the scope of IAS 37 (except for rights to reimbursement) will not be discussed at the roundtables. These topics are scheduled for redeliberation in 2007.

Agenda Paper 4B: Whether recognition of a liability can influence the outcome of legal proceedings.

4. Board discussion of the main issues associated with the proposed amendments to the measurement principle in IAS 37 will begin in September and October 2006. Specifically the staff plans to address the following topics:
 - A. The measurement principle³, including
 - relevance of the measurement principle, especially for single obligations,
 - ambiguity in the measurement principle,
 - relationship between the proposed measurement principle and fair value, and
 - additional guidance on the use of an expected cash flow model.
 - B. Reliable measurement⁴, including
 - meaning of reliable measurement,
 - validity of the ED's assertion that a liability can be measured reliably, except in rare circumstances,
 - retaining reliable measurement as a recognition criterion, and
 - need for application guidance.
5. Additionally, at the May 2006 Board meeting the Board directed the staff to develop additional guidance to address element uncertainty and to clarify the boundary between a liability and a business risk. Work on these issues is on-going.

PREPARATORY MATERIAL FOR THE ROUNDTABLES

6. For the roundtable discussions, the staff proposes to prepare a paper explaining the developments in the Board's approach to recognising and measuring liabilities within the scope of IAS 37 since the ED was issued. This needs to be distributed to participants by the end of October.
7. [Paragraph omitted from observer notes]

³ As confirmed at the February 2006 Board meeting, the measurement principle underpinning the proposed amendments in the ED is: 'An entity shall measure a liability at the amount that it would rationally pay to settle the present obligation or transfer it to a third party on the balance sheet date'.

⁴ Sub-principle 2.3, as confirmed at the February 2006 Board meeting: 'A liability can be measured reliably, except in rare circumstances'.