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**International
Accounting Standards
Board**

This observer note is provided as a convenience to observers at IFRIC meetings, to assist them in following the IFRIC's discussion. Views expressed in this document are identified by the staff as a basis for the discussion at the IFRIC meeting. This document does not represent an official position of the IFRIC. Decisions of the IFRIC are determined only after extensive deliberation and due process. IFRIC positions are set out in Interpretations.

Note: The observer note is based on the staff paper prepared for the IFRIC. Paragraph numbers correspond to paragraph numbers used in the IFRIC paper. However, because the observer note is less detailed, some paragraph numbers are not used.

INFORMATION FOR OBSERVERS

IFRIC meeting: May 2008, London
Project: **IAS 37 – Provisions, Contingent Liabilities and Contingent Assets - Deposits on returnable containers (Agenda Paper 5A)**

Background

1. At its November 2007 meeting, the IFRIC discussed a request for guidance to be issued on the accounting for the obligation to refund deposits on returnable containers. In some industries, entities that distribute their products in returnable containers collect a deposit for each container delivered and have an obligation to refund this deposit when containers are returned by the customer. The issue is whether the obligation should be accounted for in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*. In the November 2007 IFRIC Update, the IFRIC published a tentative agenda decision proposing not to add the item to its agenda on the basis that divergence in this area was not expected to be significant.
2. After that meeting, the IFRIC received two comment letters. Both commentators agreed that the IFRIC should not add the issue to its agenda.

3. At its January 2008 meeting, whilst the IFRIC did not change its decision not to add the issue to its agenda, it did not agree on wording for that decision. The IFRIC therefore asked the staff to present a paper to the next meeting with amended wording for its agenda decision.
4. At its March 2008 meeting, the IFRIC reaffirmed its decision not to take the issue to its agenda and agreed on the wording for that decision. This wording was published for comments in the March IFRIC Update.
5. After that meeting, the IFRIC received two comment letters. One commentator raised concerns about the accounting for containers derecognised as part of the sale transaction partially by depreciation over a number of sales. The other one suggested wording changes.

Staff recommendation

6. The staff note that the IFRIC discussed the issue at three consecutive meetings and tentatively decided (since the first one) not to take the issue to its agenda on the basis that divergence in this area was not expected to be significant.
7. The staff note that the wording for the tentative agenda decision, on which the IFRIC agreed on at its last meeting, already contains five paragraphs (two of them address different circumstances). In consistency with the IFRIC's tentative decision not to take the issue to the agenda, the staff's view is that the IFRIC should not provide more guidance than already given.
8. Finally, the staff do not believe that the wording changes proposed by the other commentator would significantly improve the wording for the agenda decision.

<p>9. Question for the IFRIC: do you confirm your decision not to take the issue to the agenda and the wording for such a decision?</p>
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