

# Measurement of Liabilities

Proposed amendments to  
*IAS 37 Provisions, Contingent Liabilities and Contingent Assets*

The views expressed in this presentation are those of the presenter,  
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# Measurement requirements

## IAS 37 now

- ... best estimate of expenditure required to settle present obligation at end of reporting period.
- ie ...amount entity would rationally pay to settle present obligation at end of reporting period or to transfer it to third party at that time.



# Measurement requirements

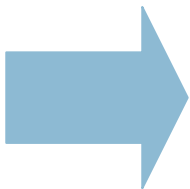
## Exposure draft proposal

- ~~... best estimate of expenditure required to settle present obligation at end of reporting period.~~
- ~~ie ...~~ amount entity would rationally pay to settle present obligation at end of reporting period or to transfer it to third party at that time.

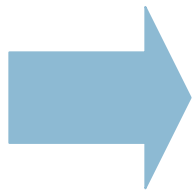


## Proposed clarifications

- ED proposal = amount entity would rationally pay today to be relieved of present obligation.
- lowest of:
  - value entity would gain if did not have to **fulfil** obligation
  - payment required to **cancel** obligation
  - payment required to **transfer** obligation to 3rd party.



Value entity would gain if did not have to fulfil obligation



- Expected outflows of resources
  - probability-weighted average.
- Time value of money
  - ie outflows discounted to present value.
- Uncertainty about amount or timing
  - ie possibly add risk adjustment.



## Expected outflows of resources

- Should be measured at **value**, not cost.
- For service obligations, need to estimate value of services.
- If subcontract market exists, estimate amount contractor would charge.
- Otherwise, estimate price entity would charge another party.

