International Financial Reporting Standards

Paper 3—Liabilities

IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*

The views expressed in this presentation are those of the presenter,
not necessarily those of the IASC Foundation or the IASB

Project overview

- IFRS to replace IAS 37

- All liabilities not in scope of another standard
    - asset decommissioning / environmental obligations
    - litigation liabilities
    - costs of restructuring activities
    - onerous contracts

1. Recognise if...

– available evidence suggests entity is liable

– ~~and some outflow of resources is probable~~

2. Measure at …

– ~~'best estimate' of outflows~~

– 'expected value' of outflows

weighted average, taking into account all possible outcomes

– including expected legal costs (external fees and in house costs)

3. Disclose uncertainties

Example 1 – disputed lawsuit

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- Entity being sued but disputes liability

- Available evidence (expert reports, legal opinions) suggests that entity is **not** liable

- Applying proposals:
  - no liability recognised
  - possible liability disclosed
  - no change from present practice

Example 2 – potential lawsuit

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- Patient suffers harm in hospital. Available evidence suggests harm was a result of hospital negligence.

- Outcome depends on whether and how patient pursues case.

- Applying proposals:

  - liability recognised

  - measured at expected value, ie taking into account all possible outcomes weighted by probability

  - uncertainties disclosed (by class)

Next steps

- ## End February

  - working draft of proposed IFRS posted to IASB website

    www.iasb.org

- ## 12 April

  - comment deadline for exposure draft

- ## Third quarter 2010

  - target for issuing IFRS

Questions or comments?

Expressions of individual views by
members of the IASB and
its staff are encouraged.

The views expressed in this presentation
are those of the presenter.

Official positions of the IASB on accounting
matters are determined only after extensive
due process and deliberation.