

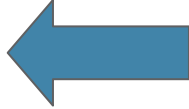
## International Financial Reporting Standards

# 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



- 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
- See working draft IFRS on website at <http://go.iasb.org/Liabilities>



# Proposals for litigation liabilities

## Already decided following 2005 exposure draft

- Recognise
  - If available evidence suggests entity has obligation
  - ~~– And some outflow of resources is probable~~
- Measure
  - Expected present value (weighted average of possible outcomes)
  - With risk adjustment

## Being re-exposed for comment

- Additional measurement guidance, eg
  - Requirement to include internal legal costs and external fees
  - Measurement objective for risk adjustment



# Is a liability recognised?

	Outflows 'probable'	Outflows not 'probable'
Evidence suggests entity has obligation	<b>IAS 37 ✓</b> <b>Proposed IFRS ✓</b>	<b>IAS 37 ✗</b> <b>Proposed IFRS ✓</b>
Evidence suggests entity does not have obligation	<b>IAS 37 ?</b> <b>Proposed IFRS ✗</b>	<b>IAS 37 ✗</b> <b>Proposed IFRS ✗</b>



# Example 1 – disputed lawsuit

5

- Entity being sued but disputes liability
- Available evidence (expert reports, legal opinions) suggests that entity is **not** liable.
- Applying proposals:
  - no liability recognised
  - disclosure required (as for contingent liabilities at present)



# Example 2 – potential lawsuit

- 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 of liability (as at present)



# Next steps

- 12 April
  - comment deadline for exposure draft
- Third quarter 2010
  - target for issuing IFRS



# Questions or comments?

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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.

