Project | **Liabilities—IFRS to replace IAS 37**

Topic | **Exposure draft comment period**

Paper overview

1. This paper asks the Board to consider whether to extend the comment period for the exposure draft *Measurement of Liabilities in IAS 37*. The staff do not include a recommendation.

Background

2. The Board published the exposure draft *Measurement of Liabilities in IAS 37* on 5 January 2010. The exposure draft re-exposes one section of an IFRS to replace IAS 37—the section containing revised proposals for measuring liabilities within the scope of IAS 37.

3. The Board set a comment deadline of 12 April 2010 for the exposure draft. In setting the deadline, the Board considered the limited scope of the amendments, the time of year (ie including the year-end reporting season for many entities) and the number and complexity of our other documents open for comment over the same period.

4.   The introduction to the exposure draft explained that:

>   The Board has revised other aspects of the proposals in the 2005
>   exposure draft. Most of the revisions respond to feedback on the
>   2005 proposals, or are relatively minor. A full list of the proposed
>   revisions is in a decision summary linked to the *Liabilities—
>   Amendments to IAS 37* project page of the IASB website.
>
>   The Board is also preparing a working draft of the proposed new
>   standard and aims to post a copy on its website in February 2010.
>   This draft will enable interested parties to see the revised
>   measurement proposals in the context of the new standard as a
>   whole. However, the Board is not inviting further comments on
>   aspects of the new standard that it proposed in the 2005 exposure
>   draft. It sought comments on these proposals in 2005 and has
>   considered responses in reaching its decisions on the new standard.

5.   As forecast, the Board posted a working draft of the IFRS on its public website
on 19 February 2010.

Possible reasons for extending the comment period

6.   The staff believe that the decision to set the comment deadline at 12 April was
appropriate and that the working draft IFRS was available in time for those who
had already started to develop views on the measurement proposals to consider
them in the context of the IFRS as a whole.

7.   However, our ongoing outreach has indicated that potential respondents have
also spent time considering another aspect of the working draft, namely the 2005
proposal to remove the 'probability of outflows' recognition criterion. They are
concerned about the effect of its removal for liabilities arising in legal disputes.
Some have concluded that entities would need to recognise liabilities for all
claims against them, whatever the likely outcome of the dispute. (This would
not be the case because the other IAS 37 recognition criteria will remain. As a

result, an entity will recognise a liability only if the available evidence suggests that the claim is valid.)

8. Some potential respondents have also expressed surprise that the Board is confirming the removal of the probability of outflows criterion, despite the opposition expressed by respondents to the 2005 exposure draft.

9. The staff would like to help those responding to the current exposure draft to understand the effects of, and reasons for, the recognition changes before they finalise their views on the measurement proposals. An extension of the comment period would give us more opportunity to do this.

10. The Board has also received several formal requests for an extension of the comment period. Those submitting requests have argued that they were unable to assess the proposed measurement requirements until they obtained the working draft IFRS. They have suggested that the comment period should have started when the working draft was posted on the IASB website (19 February). One has suggested that the comment deadline should have been three months from that date.

11. If the Board decides to extend the comment period, the staff suggest that:

(a) the announcement of the extension should clarify that its purpose is to allow people to understand the recognition requirements in finalising their comments on the revised measurement proposals. The purpose is not to invite further comments on previously-exposed proposals for which the Board has completed its due process.

(b)   the announcement is accompanied by a paper that explains:

(i)   the (limited) effect of removing the 'probability of outflows' criterion for liabilities arising in legal disputes; and

(ii)   the reasons for removing the criterion—including an explanation of why the Board is proceeding with it despite the objections of respondents to the 2005 exposure draft.

Effect on project timetable

12.   How might an extension affect the timetable for the project? By way of illustration, suppose the Board approved an extension of one month (to 12 May). The staff would plan to present an initial comment letter analysis to the Board in July and schedule issues for discussion in the autumn, with the aim of issuing the IFRS in the fourth quarter of 2010.

Questions for the Board
Should the Board extend the comment period for the exposure draft *Measurement of Liabilities in IAS 37*? If so, for how long?