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Project **Annual Improvements—2010-2012 cycle**

Topic **IAS 16 *Property, Plant and Equipment*—recognition of compensation when it ‘becomes receivable’**

Purpose of this paper

1. In July 2011 the IFRS Interpretations Committee (the Committee) received a request to clarify the timing of recognition of compensation for insured property plant and equipment (PPE) that has been impaired or lost (for example, as a result of a natural disaster).
2. The recognition requirements for this type of compensation are in paragraph 65 of IAS 16 *Property Plant and Equipment*. However, the submitter thinks that it is unclear at what moment this compensation ‘becomes receivable’, according to this paragraph, so that it can be recognised. Consequently, the submitter suggests clarifying the requirements in paragraph 65 of IAS 16 as part of the annual improvements project (AIP).
3. The submission is reproduced in full in Appendix B to this paper.

Structure of the paper

4. This paper:
 - (a) provides background information on the issue;
 - (b) includes the staff recommendation to add this issue as part of the annual improvements project and
 - (c) asks the Committee whether they agree with the staff recommendation.

This paper has been prepared by the technical staff of the IFRS Foundation for discussion at a public meeting of the IFRS Interpretations Committee.

The views expressed in this paper are those of the staff preparing the paper. They do not purport to represent the views of any individual members of the IFRS Interpretations Committee or the IASB. Comments made in relation to the application of an IFRS do not purport to be acceptable or unacceptable application of that IFRS—only the IFRS Interpretations Committee or the IASB can make such a determination.

Decisions made by the IFRS Interpretations Committee are reported in *IFRIC Update*.

Interpretations are published only after the IFRS Interpretations Committee and the Board have each completed their full due process, including appropriate public consultation and formal voting procedures. The approval of an Interpretation by the Board is reported in *IASB Update*.

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Issue raised

5. The request asks for clarification on the timing for recognition of compensation to be received by a policyholder from an insurer as a result of a natural disaster.
6. The recognition requirements for this type of compensation are in paragraph 65 of IAS 16. This paragraph is shown below (emphasis added):

65 Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up shall be included in profit or loss **when the compensation becomes receivable**.

7. The submitter thinks that the moment at which this compensation ‘becomes receivable’ is not clear.

Request

8. The submitter questions whether the term “receivable” in paragraph 65 of IAS 16 could be interpreted:
 - (a) as the point at which the insured loss occurs; or
 - (b) as the point when the reimbursement is agreed with the insurer. This treatment would be consistent with the requirements for reimbursements relating to liabilities within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. Paragraph 53 of IAS 37 states that such reimbursements should be recognised when it is virtually certain that they will be received.

Staff analysis**Introduction**

9. The issue raised by the submitter refers specifically to an insurance recovery by a policyholder related to the loss or impairment of property, plant and equipment.
10. A policyholder under an *insurance contract* may be compensated by an insurer if a specified uncertain future event affects the policy holder. In accordance with

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Appendix A of IFRS 4 *Insurance Contracts*, an *insurance contract* is (emphasis added):

A contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by **agreeing to compensate the policyholder if a specified uncertain future event** (the insured event) adversely affects the policyholder

11. IFRS 4 does not address the accounting for insurance contracts by policyholders other than holders of reinsurance contracts (paragraph 4(f)). Similarly, IAS 39 *Financial Instruments: Recognition and Measurement* excludes from its scope the accounting for insurance contracts (others than those meeting the definition of a financial guarantee contract in Appendix A of IFRS 9 *Financial Instruments*). Consequently, the accounting for the policy holder's right to receive compensation is solved through application of other IFRSs such as paragraph 65 of IAS 16. The requirements in this paragraph are discussed below.

The source of paragraph 65 in IAS 16

12. In our research, we found that that the original source for paragraph 65 of IAS 16 was paragraph 4(b) of SIC-14 *Property, Plant and Equipment - Compensation for the Impairment or Loss of Item* (issued in June 1998), which stated (emphasis added):
4. Impairments or losses of items of property, plant and equipment, related claims for or payments of compensation from third parties and any subsequent purchase or construction of replacement assets are separate economic events and should be accounted for as such. The three economic events should be accounted for separately as follows:
 - (a) impairments of items of property, plant and equipment should be recognised under IAS 36; the retirement or disposal of items of property, plant and equipment should be recognised under IAS 16;
 - (b) **monetary or non-monetary compensation from third parties for items of property, plant and equipment that were impaired, lost or given up should be included in the income statement when recognised; and**
 - (c) the cost of assets restored, purchased, constructed as a replacement, or received as compensation should be determined and presented under IAS 16.

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13. Paragraph 9 of the Basis for Conclusions of SIC-14 added:

9 **Where the receipt of compensation from third parties is dependant on the occurrence or non-occurrence of one or more future events not wholly within the control of the enterprise, it is a contingent asset as defined in IAS 37.10.** Under IAS 37.31, contingent assets are not recognised. IAS 37.33 states that “**when the realisation of income is virtually certain, then the related asset is not a contingent asset and its recognition is appropriate**”.

14. The proposed amendments to IAS 16 included in the exposure draft for *Improvements to International Accounting Standards* (May 2002) suggested bringing most of the content of paragraph 4(b) of SIC-14 into IAS 16 and proposed changing the timing of recognition from the moment the compensation is ‘recognised’ to the moment it is ‘received’. The proposed amendment was shown as follows: (emphasis added):

‘compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in determining profit or loss **for the period in which it is received**’ [par. 53B(b) of IAS 16]

15. Respondents to the exposure draft challenged the proposed change because it was interpreted as a requirement for cash basis of accounting. Paragraph 50 of the staff agenda paper 3H (February 2003) summarises some of their comments (emphasis added):

Respondents believed the Board’s proposal **that an entity recognise compensation when received was in essence a requirement for the cash basis of accounting**. The staff does not believe that this was the Board’s intent but nonetheless that is how respondents interpreted the Board’s proposal. Assuming use of the cash basis of accounting was not the Board’s intent, the issue arises as to whether an entity should recognise the compensation at the time the prospect of its receipt meets the definition of an asset or, instead, consider the prospect of payment as a contingency and thus recognise it at the time that prospect ceases to be a contingent asset. IAS 37, *Provisions, Contingent Liabilities and Contingent Assets* defines that point in time when the prospect of receipt is virtually certain.

16. The Board reconsidered another approach proposed by a few respondents. This was to recognise the compensation when it is ‘virtually certain’; that is, when the prospect of payment ceases to be a contingent asset in accordance with paragraph 9 of SIC-14 (refer to paragraph 11 above). However, this proposal was rejected. In the staff’s view at the time, an owner of an asset is not waiting

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for a future event to confirm the insurer's obligation to pay compensation, provided the terms of the contract are clear. This view is reflected in paragraph 51 of the agenda paper referred to above (emphasis added):

In suggesting alternatives to the perceived cash basis of accounting, respondents noted that proceeds to be received by the owner of the lost asset are typically pursuant to the terms of a contract with an insurance entity that provides that if a covered asset is lost, then the insurance company is obligated to pay "x" amount. **In those cases the owner is not awaiting a future event to confirm the insurance company's obligation to it, thus there is no gain contingency. Instead, the asset owner has a contractual right to payment. Accordingly, the asset owner should recognise that right when its existence means an asset has arisen in the form of a receivable.**

17. The Board agreed with the staff's recommendation and in December 2003 the Board decided to amend paragraph 65 of IAS 16 for the final publication of *Annual Improvements of International Accounting Standards* to establish the recognition of compensation for the impairment or loss of property plant and equipment when it 'becomes receivable'.

Proposals in the Liabilities project

18. The Board has been conducting a project to develop a new IFRS to replace IAS 37.
19. If it decides to continue this project, the IAS 37 recognition requirements for reimbursements (insurance recoveries) are likely to change. The latest proposals for reimbursement rights are reflected in a working draft of the IFRS prepared by the staff in February 2010, which states that:

Reimbursement rights

- 37 **An entity shall recognise a reimbursement right relating to a liability if it can measure the right reliably.**
- 38 Sometimes, an entity has a right to look to a third party to provide some or all of the resources required to settle a liability. Such reimbursement rights can arise, for example, through insurance contracts, indemnity clauses or participation in decommissioning, rehabilitation or environmental rehabilitation funds. The third party might reimburse the entity for expenditure that the entity has incurred, or settle the liability directly
- 39 An entity shall measure the reimbursement right using assumptions that are consistent with those it uses to measure the related liability.

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20. Most notably, the ‘virtually certain’ requirement would be changed to a ‘measured reliably’ requirement, with uncertainty in the outcome being taken into account by measuring the reimbursement right at the probability-weighted average of all possible outcomes.
21. The project to replace IAS 37 was suspended at the end of 2010 to allow the Board to focus on completing other projects. The Board is now reviewing its future agenda. Until the review is complete, it is not certain that the Board will recommence work on IAS 37, or what the scope of the project would be. If the Board decides to finalise an IFRS, the entire IFRS—including the proposals relating to reimbursement rights—will be subject to re-exposure and redeliberation. It is unlikely that a new IFRS would be issued before 2013.

Views that can be identified in practice

22. Given the divergence of views highlighted by the staff in previous discussions with the Board about the timing of recognition of compensation for the impairment or loss of property plant and equipment, we acknowledge that two main views could arise in practice:
- (a) **View 1:** Clarification is needed in IAS 16.65 because it is unclear at what moment compensation ‘becomes receivable’. We have identified three options on how this clarification could be made:
- (i) **View 1A:** Clarify that ‘becomes receivable’ means ‘when the insured loss occurs’ as this was the Board’s original intent.
 - (ii) **View 1B:** Align IAS 16.65 with IAS 37.53. In other words, the requirement in IAS 16 for the compensation to be recognised when it ‘becomes receivable’ should be replaced with a requirement for the compensation to be recognised when it is ‘virtually certain to be received’.

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- (iii) **View 1C:** Await for the outcome of the agenda consultation review on the Liabilities project before proposing any change to IAS 16.65.
- (b) **View 2:** Clarification is not needed in IAS 16.65 and it is clear that ‘becomes receivable’ means having a ‘right to receive’.

View 1A – Compensation becomes receivable when the insured event occurs

23. Proponents of view 1A argue that compensation ‘becomes receivable’ when an insured loss occurs. They also think that the Board intended the requirements of IAS 16 to be different from those of IAS 37.
24. In IAS 16.65 the prospect of receiving compensation from third parties for items of property, plant and equipment that have been impaired, lost or given up, is recognised in the financial statements whenever the claim meets the definition of a ‘receivable’. A ‘trade accounts receivable’ is an example of a *financial asset* in paragraph AG4 in IAS 32 *Financial Instruments: Presentation*. Paragraph 11(c) in IAS 32 defines a financial asset as a contractual right to:
- receive cash or another financial asset from another entity;
 - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity;
25. In accordance with IFRS 9 *Financial Instruments*, a financial asset is recognised in an entity’s statement of financial position, “when, and only when, the entity becomes party to the contractual of the instrument” and as a consequence has a legal right to receive or a legal obligation to pay cash. Paragraph B3.1.2 in Appendix B of IFRS 9 further explains that (emphasis added):
- B3.1.2 **Unconditional receivables** and payables are recognised as assets or liabilities **when the entity becomes a party to the contract and, as a consequence, has a legal right to receive or a legal obligation to pay cash.**
26. By relating the description of a financial asset in IAS 32.11(c) to the timing for recognition of financial assets in IFRS 9.B3.1.2, we think that circumstances in which insurance contracts compensate the policyholder for an event related to

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asset impairment or for lost profits (in accordance with paragraph 65 of IAS 16) so that compensation ‘becomes receivable’ are when:

- (a) an asset owner has a contractual right to payment. This contractual right confirms that:
 - (i) the insurance company has an obligation to pay the compensation and
 - (ii) the asset owner has a contractual unconditional right to payment.
- (b) the event giving rise to an impairment or loss of the assets has occurred. The existence of this event means that an asset (compensation) has arisen in the form of a ‘receivable’ that an entity can claim from the insurer.

27. For example, let us assume that an entity’s equipment has been destroyed by a flood, and has a carrying amount of CU100. Under the insurance contract an insurer is contractually obliged to pay CU150 for repurchasing this equipment. In our view the right for compensation ‘becomes receivable’:

- (a) at the time the damaging event occurs; and
- (b) through the existence of a contractual right to payment by the insurer to the policy holder.

28. Proponents of view 1A could also argue that the requirements of IAS 16 are clearly different from those of paragraph 53 of IAS 37 which includes specific requirements for recognition of reimbursements received from another party, to settle a provision created by an entity. Consequently they would not support aligning the recognition requirements in IAS 16.65 with those in IAS 37.53.

29. The recognition requirements for reimbursements in paragraph 53 of IAS 37 are shown below: (emphasis added):

- 53 Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, **the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation.** The

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reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

30. The requirements of IAS 16 are different from those in IAS 37:
- (a) IAS 16.65 acknowledges that an unconditional (eg non-contingent) agreement has already been reached with the insurer to compensate the policyholder for an event related to asset impairment or for lost profits and that the recognition of the compensation right is only awaiting for that event to happen; whereas
 - (b) IAS 37.53 waits for the reimbursement to be agreed by a third party and for the policyholder to settle the obligation, to eliminate any avoidance of doubt (or uncertainty) that the reimbursement will be received if the entity settles the obligation.
31. In other words, the guidance in IAS 16.65 implies that an entity has a financial asset (receivable) **as soon as an insured loss occurs**, whereas IAS 37.53 seems to prohibit recognition until the recovery is ‘virtually certain’ (which will often be only **once the claim is agreed** by the insurance provider).
32. These differences in the timing of recognition in IAS 37.53 could suggest that the guidance in this paragraph is more conservative than in IAS 16.65. That is, although a policyholder may have a contractual right to be paid for valid claims, there may be uncertainty about whether any particular claim is valid (eg the insurer has an obligation to investigate claims and pay them if valid). In other words, the right to a claim may exist, but IAS 37.53 focuses on the possibility that there may nevertheless be uncertainty about its outcome and makes sure that this uncertainty is eliminated before the right to claim can be recognised.
33. Even though proponents of this view think that the meaning of the term ‘receivable’ in IAS 16.65 could be drawn from the description of a financial asset in IAS 32.11(c) and the timing for recognition of financial assets in IFRS 9.B3.1.2, they would suggest amending paragraph IAS 16.65 to clarify the Board’s intent, as follows:

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- 65 Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up shall be included in profit or loss when the insured loss occurs. ~~compensation becomes receivable.~~

View 1B – Align timing recognition requirements in IAS 16.65 and IAS 37.53

34. Proponents of this view would argue that it would be helpful to reword paragraph 65 of IAS 16 to align the wording with that in paragraph 53 of IAS 37.
35. On the basis of that view, the wording in paragraph 65 of IAS 16 could be modified to state that compensation from third parties when an asset is impaired, lost or given up, is recognised when this compensation is *virtually certain to be received* (as described in paragraph 53 of IAS 37), instead of when compensation ‘becomes receivable’.
36. Proponents of this view think that aligning the recognition criterion in IAS 16.65 with the one in paragraph 53 of IAS 37 would:
- (a) add clarity to the timing of recognition of compensation from third parties when an asset is impaired, lost or given up, because they perceive that the moment when the compensation right ‘becomes receivable’ is ambiguous;
 - (b) promote consistency with the recognition of reimbursements in paragraph 53 in IAS 37, which also represent compensation payments from third parties;
 - (c) make the requirements of IAS 16.65 more robust by avoiding recognition of highly uncertain amounts. Unlike other financial assets, rights to compensation for a loss can be subject to complicated conditions. Applying the ‘virtually certain’ threshold in IAS 37, compensation would be recognised only when there was reasonable certainty that:
 - (i) the entity had a valid claim against the insurer; and

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- (ii) the reimbursement/compensation can be reliably determined.
37. Proponents of aligning IAS 16 with IAS 37 are not persuaded that the Board intended the requirements of IAS 16 to be different from those of IAS 37. As explained in paragraphs 12–17, the staff at the time considered the requirements of IAS 37 in 2003 when identifying possible alternatives to the requirement for the compensation to have been ‘received’. However, they focused on the section of IAS 37 dealing with contingent assets, observed that a reimbursement right is not a contingent asset and consequently concluded that the ‘virtually certain’ requirement in IAS 37 did not apply. At that time, the staff paper did not mention another section of IAS 37, which specifies requirements for reimbursements of amounts recognised as provisions and applies the ‘virtually certain’ threshold for these too. Had the Board considered the IAS 37 requirements for reimbursements of losses recognised as provisions, it might have arrived at different conclusions for reimbursement of losses of property, plant and equipment.
38. Proponents of aligning IAS 16.65 with IAS 37.53 acknowledge that the requirements of IAS 37 might change in the future. But they note that, even if the Board decides to recommence the project to replace IAS 37, its decisions on reimbursement rights are tentative. And even if these tentative decisions are confirmed in future, the new requirements will not be issued until 2013 at the earliest (and an estimated effective date would be 2014 or later) . If the Committee thinks that it would be preferable to have a single accounting treatment for all reimbursement rights, it should recommend aligning IAS 16 with IAS 37 now, and then for another consequential amendment to be made to IAS 16 in the future if and when the requirements of IAS 37 change.
39. Consequently, proponents of this view would modify paragraph 65 of IAS 16 now. The required modifications to paragraph 65 in IAS 16 are shown below (proposed new text has been underlined and deleted text is struck through):

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- 65 Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up shall be included in profit or loss when and only when, it is virtually certain that the compensation becomes receivable will be received.

View 1C –Await for the outcome of the agenda consultation review before proposing any change to IAS 16.65

40. Proponents of this view agree that the timing for recognition of compensations in paragraph 65 of IAS 16 is unclear and consider that a clarification to this paragraph is valid either through the amendment suggested by the proponents of View 1A (refer to paragraph 33) or through the amendment suggested by the proponents of View 1B (refer to paragraph 39).
41. However, proponents of view 1C will wait for the outcome of the agenda consultation review before making any clarification to paragraph IAS.65, as there is uncertainty in the outcome being taken. If the Liabilities project (to replace IAS 37) is taken back on to the IASB’s agenda, they think that the issue raised by the submitter could be dealt within a reasonable timescale as part of that project (as a consequential amendment to IAS 16 derived from IAS 37). If the project is not taken back onto the IASB’s agenda, then the Committee could reconsider the issue with a view to choosing between option 1A and option 1B.

View 2 – Issue rejection wording that explains the meaning of ‘becomes receivable’ in IAS 16.65

42. Proponents of this view think that the Board’s intent is to recognise compensation from third parties when it becomes *receivable* and that this term is clear enough. The latter implies that an entity recognises a compensation right as soon as an insured event occurs and based on the fact that an asset owner has a contractual right to payment.
43. Proponents of this view do not think that any clarification to IAS 16.65 is needed as the meaning of ‘receivable’ can be easily drawn from the description of a financial asset in IAS 32.11(c) and the timing for recognition of financial assets in IFRS 9.B3.1.2. Proponents of this view do not think that an alignment of the guidance for recognition of compensation (in paragraph 16 of IAS 65)

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with the guidance for recognition of reimbursements (in paragraph 53 of IAS 37) should be made either as this was not the Board's original intent.

44. Consequently, those who support view 2 do not propose any amendment to paragraph 65 of IAS 16 at this or at a later stage (even despite the outcome of the Liabilities project that might propose a modification to the recognition of reimbursements).

Assessment against the new annual improvements criteria

45. We have assessed the proposed amendment to paragraph 65 of IAS 16 against the enhanced annual improvements criteria, which are reproduced in full below:

In planning whether an issue should be addressed by amending IFRSs within the annual improvements project, the IASB assesses the issue against the following criteria. All criteria (a)–(d) must be met to qualify for inclusion in annual improvements.

- (a) The proposed amendment has one or both of the following characteristics:
- (i) clarifying—the proposed amendment would improve IFRSs by:
- clarifying unclear wording in existing IFRSs, or
 - providing guidance where an absence of guidance is causing concern.
- A clarifying amendment maintains consistency with the existing principles within the applicable IFRSs. It does not propose a new principle, or a change to an existing principle.
- (ii) correcting—the proposed amendment would improve IFRSs by:
- resolving a conflict between existing requirements of IFRSs and providing a straightforward rationale for which existing requirement should be applied, or
 - addressing an oversight or relatively minor unintended consequence of the existing requirements of IFRSs.

A correcting amendment does not propose a new principle or a change to an existing principle.

[Staff analysis—this criterion is satisfied. The term 'becomes receivable' is ambiguous and should be clarified'.]

- (b) The proposed amendment is well-defined and sufficiently narrow in scope such that the consequences of the proposed change have been considered.

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[Staff analysis— The issue is sufficiently narrow to ensure that the proposed change has been considered sufficiently and identified.]

- (c) It is probable that the IASB will reach conclusion on the issue on a timely basis. Inability to reach a conclusion on a timely basis may indicate that the cause of the issue is more fundamental than can be resolved within annual improvements.

[Staff analysis—this criterion is satisfied. The issue raised by the submitter could be dealt and solved within a reasonable timescale.]

- (d) If the proposed amendment would amend IFRSs that are the subject of a current or planned IASB project, there must be a need to make the amendment sooner than the project would.

[Staff analysis—this criterion is satisfied. There is no current IASB project on IAS 16 and it is uncertain whether the Board might re-commence work on IAS 37 and might decide to revise the recognition requirements for reimbursements in IAS 37.53 which could impact or not the recognition requirements for compensations in IAS 16.65].

Staff recommendation

46. We support **View 1A**. We think that the meaning of the term ‘becomes receivable’ in paragraph 65 of IAS 16 is ambiguous and needs clarification. Consequently we suggest the Committee to propose the Board to make an amendment to paragraph 65 in IAS 16 to clarify that compensation ‘becomes receivable’, when the insured loss occurs.

Staff conclusion

47. On the basis of our analysis and the assessment under the annual improvements criteria, we think that the Committee should recommend to the Board to amend paragraph 65 in IAS 16 (refer to Appendix A of this paper) and that this amendment should be included in the 2010-2012 AIP cycle.

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Questions to the Interpretations Committee

Questions — recognition of compensation (IAS 16.65)

1. Does the Committee agree with the staff recommendation and conclusion in paragraphs 46 and 47 to amend paragraph 65 of IAS 16 to clarify that 'receivable' means 'when the insured loss occurs'?
2. Does the Committee agree with the proposed amendments to paragraph 65 of IAS 16 in Appendix A?

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Appendix A—proposed changes

- A1. The proposed amendment to paragraph 65 in IAS 16 is presented below.

Amendment to IAS 16 *Property, Plant and Equipment*

Paragraph 65 is amended (new text is underlined and deleted text is struck through).

Compensation for impairment

- 65 Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up shall be included in profit or loss when the insured loss occurs. ~~compensation becomes receivable.~~

- A2. We are proposing adding the following paragraph to the Basis for Conclusions of IAS 16:

Basis for Conclusions on proposed amendments to IAS 16 *Property, Plant and Equipment*

This Basis for Conclusions accompanies, but is not part of, the proposed amendments.

Compensation for impairment

- BC1 The Board received a request to clarify in paragraph 65 of IAS 16 *Property, Plant and Equipment* the timing of recognition of compensation for insured property plant and equipment that has been impaired or lost (for example, as a result of a natural disaster). The Board observed that the prospect of receiving compensation from third parties for items of property, plant and equipment that have been impaired, lost or given up, is recognised in the financial statements whenever the claim meets the definition of a ‘receivable’. Consequently, the Board decided to make an amendment to paragraph 65 to clarify that compensation ‘becomes receivable’, when the insured loss occurs.

Appendix B – Request for Annual Improvements

- B1 The staff received the following request. All information has been copied without modification, except for details that would identify the submitter of the request and details that are subject to confidentiality.

REQUEST FOR ANNUAL IMPROVEMENTS

The issue:

This issue arose in the context of the accounting for several natural disasters this year.

There is potentially conflicting guidance for the recognition of a receivable for an insurance claim. IAS 16.65 states that compensation for property, plant and equipment that is lost or impaired [eg when an asset is destroyed in fire, repayment might be expected] is recognised when the compensation becomes receivable. Should “receivable” in this context refer to a financial asset, for which there would be no recognition threshold, or to the point at which the claim is agreed with the insurer?

IAS 37.31-35 is often applied to the recognition of insurance claims that are not compensation for the loss of assets. The claim is recognised when it is virtually certain to be received. IAS 37.53 is sometimes applied to the recognition of insurance claims that are reimbursement for a loss recognised as a provision. In this case the claim is recognised when it is virtually certain to be received if the claim is settled.

We wondered whether the recognition thresholds for the different types of insurance claim are the same.