

STAFF PAPER

November 2016

Emerging Economies Group Meeting

Project	IAS 37 Provisions, Contingent Liabilities and Contingent Assets		
Paper topic	Agenda Consultation		
CONTACTS	Darrel Scott	dscott@ifrs.org	+44 (0)20 7246 6489

This paper has been prepared for discussion at a public meeting of the International Accounting Standards Board® (“the Board”) and does not represent the views of the Board or any individual member of the Board. Comments on the application of IFRS® Standards do not purport to set out acceptable or unacceptable application of IFRS Standards. Technical decisions are made in public and reported in IASB *Update*.

Summary

The International Accounting Standards Committee issued *IAS 37 Provisions, Contingent Liabilities and Contingent Assets* in 1998 and the IASB adopted it as part of the initial suite of Standards that formed IFRS. When it was issued, IAS 37 filled a significant void.

Before then, entities could, for example, make provisions for future costs that were not present obligations, and this freedom provided significant scope for earnings manipulation. IAS 37 now restricts provisions to items meeting the definition of a liability. The Standard is widely credited with having substantially improved financial reporting as a result.

Furthermore, preparers and auditors of financial statements often report that, in general, they do not encounter major problems applying IAS 37.

However, IAS 37 has imperfections and people have expressed concerns about some aspects of the Standard. This paper explains a range of concerns that have been raised with the IASB in recent years.

This paper is a work in progress. As we investigate some of these matters further, we may change our analysis of some of the problems and identify other, possibly better solutions.