

## STAFF PAPER

March 2019

## Global Preparers Forum

<b>Project</b>	<b>Onerous Contracts—Cost of Fulfilling a Contract</b>		
<b>Paper topic</b>	Proposed amendments to IAS 37		
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**Introduction**

1. The objective of this session is for GPF members to share their preliminary views on Exposure Draft *Onerous Contracts—Cost of Fulfilling a Contract*, published in December 2018.

**Background information**

2. In December 2018 the International Accounting Standards Board (Board) published Exposure Draft *Onerous Contracts—Cost of Fulfilling a Contract*.
3. In this Exposure Draft, the Board proposes to amend IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* to specify the costs an entity includes in determining the ‘cost of fulfilling’ a contract for the purpose of assessing whether a contract is onerous. In particular the Board proposes to specify that the cost of fulfilling a contract comprises the costs that relate directly to the contract (rather than only the incremental costs of the contract).
4. We have included an ‘In Brief’ article, authored by Board member Chungwoo Suh, as Agenda Paper 3A to this meeting. This article provides a brief overview of the Board’s proposals and the explains reasons for the Board’s decisions.

5. The Exposure Draft can be obtained from the Board’s website [here](#). The comment letter period ends on 15 April 2019. The ED asks respondents three questions:
- (a) Do you agree that paragraph 68 of IAS 37 should specify that the cost of fulfilling a contract comprises the costs that relate directly to the contract? If not, why not, and what alternative do you propose?
  - (b) The Board proposes to add paragraphs 68A–68B, which would list costs that do, and do not, relate directly to a contract. Do you have any comments on the items listed?
  - (c) Do you have any other comments on the proposed amendments?

**Questions for the GPF**

- 1) What impact do GPF members think the proposed amendments will have?
- 2) Do GPF members agree with the proposals in the Exposure Draft?