
Accounting Standards Advisory Forum meeting

Date **December 2025**
Project **Provisions—Targeted Improvements**
Topic **Discount rates**
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This paper has been prepared for discussion at a public meeting of the Accounting Standards Advisory Forum (ASAF). This paper does not represent the views of the International Accounting Standards Board (IASB) or any individual IASB member. Any comments in the paper do not purport to set out what would be an acceptable or unacceptable application of IFRS[®] Accounting Standards. The IASB's technical decisions are made in public and are reported in the IASB[®] *Update*.

Paper overview

1. At its [September 2025](#) meeting, the International Accounting Standards Board (IASB) redeliberated the proposals in the Exposure Draft [Provisions—Targeted Improvements](#) relating to the rate an entity uses to discount future expenditure to its present value.
2. This paper summarises the tentative decisions made by the IASB at that meeting. There are no questions for Accounting Standards Advisory Forum members in this paper.

Summary of the IASB's tentative decisions on discount rates

Required rates ([Agenda Paper 22A](#) for the September 2025 IASB meeting)

3. The IASB considered feedback on the Exposure Draft proposal to require an entity to discount a provision at a rate that reflects the time value of money—represented by a risk-free rate—with no adjustment for the effect of non-performance risk.
4. The IASB tentatively decided to retain the proposal. It further decided:
 - (a) to add no application guidance to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* on how an entity determines an appropriate risk-free discount rate;
 - (b) to clarify in IAS 37 that the best estimate of the expenditure required to settle an obligation is not reduced to reflect the effect of non-performance risk; and
 - (c) to add no requirements on the use of real or nominal discount rates in measuring a provision.

Interaction with IFRS 3 ([Agenda Paper 22B](#) for the September 2025 IASB meeting)

5. The IASB considered an unintended consequence of the discount rate proposals—namely, the ‘day-two’ adjustments that could arise from the interaction between IAS 37 (if amended as proposed) and IFRS 3 *Business Combinations*.
6. To prevent the day-two adjustments, the IASB tentatively decided to add to IFRS 3 an exception to its initial measurement principle that:
 - (a) applies to provisions (other than contingent liabilities) within the scope of IAS 37; and
 - (b) requires an acquirer to measure these provisions at the acquisition date in accordance with the measurement requirements in IAS 37, instead of at their acquisition date fair values.

Disclosure ([Agenda Paper 22C](#) for the September 2025 IASB meeting)

7. The IASB considered feedback on the Exposure Draft proposals to add disclosure requirements to IAS 37 and IFRS 19 *Subsidiaries without Public Accountability*.
8. The IASB tentatively decided:
 - (a) to retain the proposal to require an entity applying IAS 37 to disclose:
 - (i) the discount rate(s) used in measuring a provision; and
 - (ii) the approach used to determine the rate(s);
 - (b) to add no further disclosure requirements to IAS 37; and
 - (c) to retain the proposals:
 - (i) to require subsidiaries applying IFRS 19 to disclose the discount rate(s) used in measuring a provision; but
 - (ii) not to require them to disclose the approach used to determine the rate(s).