
Accounting Standards Advisory Forum meeting

Date **July 2025**

Project **Provisions—Targeted Improvements**

Topic **Exposure Draft feedback (ASAF cover paper)**

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Purpose of this session

1. The purpose of this session is to discuss feedback on the [Exposure Draft Provisions—Targeted Improvements](#) (Exposure Draft) and seek ASAF members' views on how the International Accounting Standards Board (IASB) should move forward with its [Provisions—Targeted Improvements](#) project in the light of that feedback.

Background

2. The IASB published the Exposure Draft in November 2024, with a comment deadline of 12 March 2025. The Exposure Draft proposes amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.
3. The IASB will discuss feedback on the Exposure Draft at its June 2025 meeting. The IASB will not be asked to make decisions at that meeting. However, comments from IASB members will help us develop recommendations for the direction of the project.
4. Views of ASAF members will also help us in developing these recommendations.

Papers for this meeting

5. The papers for this meeting are the feedback summaries the IASB will discuss at its June 2025 meeting:

IASB reference	ASAF reference	Feedback topic
22	1	Overview
22A	1A	Present obligation criterion—overall
22B	1B	Present obligation criterion—past-event condition
22C	1C	Present obligation criterion—other requirements
22D	1D	Costs to include
22E	1E	Discount rates
22F	1F	Other matters

Questions for ASAF members

6. Our questions to you reflect the purpose of the session, which is to obtain your views on how the IASB should move forward with this project in the light of the feedback from all respondents, rather than to obtain your own feedback on the Exposure Draft proposals (which has been reflected in the feedback summaries).

***Overall views and present obligation recognition criterion
(Agenda Papers 1 and 1A-1C)***

7. Agenda Paper 1 *Feedback Summary—Overview* describes the sources of feedback and summarises the key messages in the feedback. Agenda Papers 1A–1C *Feedback summary—Present obligation criterion* summarise feedback on proposals relating to one of the criteria for recognising a provision—the requirement for the entity to have a present obligation as a result of a past event.
8. The main matter arising in the feedback relates to the application of the present obligation criterion to the timing of recognition of some levies. Agenda Papers 1A–1C explain respondents’ concerns about this and other matters, and the solutions some respondents suggest. For some of the matters raised, respondents suggest more than one alternative solution:

	Matter	Agenda paper	Paragraphs describing alternative solutions
(a)	Application of the past-event condition to levies	AP1A	18
		AP1B	28–32
(b)	Criteria for identifying a legal obligation	AP1C	16
(b)	Virtually-certain threshold for new laws yet to be finalised	AP1C	24

Questions for ASAF members

1. How do you think the IASB should move forward in the light of the feedback on levies summarised in Agenda Papers 1A and 1B? In particular:
 - do any of the solutions suggested by respondents in paragraph 18 of Agenda Paper 1A (and further explained in paragraphs 28–32 of Agenda Paper 1B) appeal to you and, if so, why?
 - conversely, do any of these solutions seem potentially problematic to you and, if so, why?
2. Do you have views on how the IASB should move forward in respect of the feedback on other matters summarised in Agenda Papers 1 and 1A–1C? In particular:
 - do any of the solutions suggested by respondents in paragraph 16 and paragraph 24 of Agenda Paper 1C appeal to you and, if so, why?
 - conversely, do any of these solutions seem potentially problematic to you and, if so, why?

Costs to include in the measure of a provision (Agenda Paper 1D)

9. Agenda Paper 1D *Feedback—Costs to include* summarises feedback on a proposal to specify the costs to include in the measure of a provision.
10. This paper reports that, although most respondents agree with the proposed requirement, some respondents question its scope.
11. The IASB developed the proposed requirement in the context of provisions for onerous sales contracts and other obligations that an entity settles by *providing goods or services* to a counterparty. The IASB did not discuss the possible implications of the requirement for obligations that an entity settles by *paying cash* to a counterparty (for example, litigation claims), but that might require the entity to procure goods or services (for example, legal services) on its own behalf in settling the obligation. Respondents ask whether, and if so how, the proposed requirements would apply to such ‘ancillary’ costs. See paragraphs 24–27 of Agenda Paper 1D.

Questions for ASAF members

3. How do you think the IASB should move forward in the light of the feedback summarised in Agenda Paper 1D?
4. In particular, do you have any views on whether and, if so, how the requirements should apply to ancillary costs?

Discount rates (Agenda Paper 1E)

12. Agenda Paper 1E *Feedback summary—Discount rates* summarises feedback on proposals to:
- (a) specify the rate an entity uses to discount future expenditure to its present value; and
 - (b) require entities to disclose the discount rate(s) used and the approach used to determine those rates.

Question for ASAF members

5. How do you think the IASB should move forward in the light of the feedback summarised in Agenda Paper 1E?

Other matters (Agenda Paper 1F)

13. Agenda Paper 1F *Feedback—other matters* summarises feedback on matters other than those covered in Agenda Papers 1A – 1E.

Question for ASAF members

6. Do you have any other comments on how the IASB should move forward in the light of the feedback on the Exposure Draft?