IFRS Accounting

Staff paper

Agenda reference: 22A

IASB® meeting

Date	**September 2026**
Project	**Provisions—Targeted Improvements**
Topic	**Recognition—Consequences of omitting paragraph 14Q**
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Purpose of this session

1. The International Accounting Standards Board (IASB) published Exposure Draft *Provisions—Targeted Improvements* (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*.

2. Since September 2025, the IASB has been redeliberating and refining the amendments proposed in the Exposure Draft in the light of feedback from respondents.

3. Among other refinements, the IASB has tentatively decided:

    (a) to add application requirements for levies; and

    (b) as a consequence of adding these application requirements, to omit the requirement proposed in paragraph 14Q of the Exposure Draft.

4. This paper asks the IASB to consider the consequences of omitting the requirement proposed in paragraph 14Q. The primary consequence is a need to consider whether to omit or move a supporting requirement proposed in paragraph 14R of the Exposure Draft.

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Contents of this paper

5. This paper contains:

   (a) background information on:

      (i) the requirements proposed in paragraphs 14Q and 14R of the Exposure Draft (paragraphs 8–13); and

      (ii) the IASB's subsequent tentative decision to omit paragraph 14Q (paragraphs 14–15);

   (b) a discussion of the main consequence of omitting paragraph 14Q—the need to either omit or move paragraph 14R (paragraphs 16–20); and

   (c) a summary of requests for clarification of aspects of paragraph 14Q that we think require no further action (paragraphs 21–24 and the appendix).

6. A staff recommendation is in paragraph 20. A question for the IASB follows that paragraph.

Staff recommendation

7. We recommend moving the requirement proposed in paragraph 14R of the Exposure Draft, so it forms part of the requirements supporting the obligation condition for recognising a provision, instead of the requirements supporting the past-event condition.

Background information

Requirements proposed in paragraphs 14Q and 14R of the Exposure Draft

8. The Exposure Draft proposes to update the wording of the present obligation criterion for recognising a provision, to align it with the definition of a liability in the IASB's *Conceptual Framework for Financial Reporting (Conceptual Framework).* Drawing further on the *Conceptual Framework*, the Exposure Draft also proposes to identify and explain three separate conditions within the present obligation criterion—'obligation', 'transfer' and 'past-event' conditions.

9. Both the obligation and past-event conditions require an entity to have 'no practical ability to avoid' doing something:

   (a) to meet the obligation condition: paragraph 14B(c) requires an entity to have no practical ability to avoid *discharging a responsibility if it takes a specific action*; and

   (b) to meet the past-event condition (if two or more specific actions are required to trigger the responsibility): paragraph 14Q requires the entity has taken one of the specific actions and has no practical ability to avoid *taking the remaining specific actions*.

10. Requirements clarifying the meaning of 'no practical ability to avoid' are proposed:

    (a) to support the obligation condition—in paragraph 14F of the Exposure Draft; and

    (b) to support the past-event condition—in paragraph 14R of the Exposure Draft.

11. Paragraph 14F of the Exposure Draft proposes specific criteria for concluding that an entity has no practical ability to avoid discharging a responsibility:

    (a) *for a legal responsibility*—the criteria (as refined by the IASB's tentative decision in December 2025) focus on whether the obligation can be enforced by a court or other judicial body[1]; and

    (b) *for a constructive responsibility*—the criteria focus on whether the entity's patterns of past practice, published policies or current statements have created valid expectations in other parties that the entity will discharge the responsibility.

12. Paragraph 14R supports paragraph 14Q by drawing on a statement in paragraph 4.33 of the *Conceptual Framework*. It states that:

> 14R A decision to prepare an entity's financial statements on a going concern basis implies that the entity has no practical ability to avoid taking an action it could avoid only by liquidating the entity or by ceasing to trade.

13. The concept underpinning paragraph 14R holds true in applying *both the past-event condition* (judging an entity's practical ability to avoid taking a future action required to trigger a responsibility) *and the obligation condition* (judging an entity's practical ability to avoid complying with the responsibility *if* it takes that future action). The Exposure Draft states the concept in the context of the past-event condition because we thought it would be most useful framed in that context:

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1 As reported in the December 2025 IASB *Update*, the refined criteria would require that either:

a. the counterparty has a right to ask a judicial body to force the entity to discharge the responsibility or to pay a penalty or compensation for failing to do so; or

b. the counterparty has a right to take another form of action against the entity for failing to discharge the responsibility and, as a result, the economic consequences for the entity of not discharging the responsibility are expected to be significantly worse than the costs of discharging it.

(a) during the development of the Exposure Draft proposals, questions about the implications of the going concern assumption arose more frequently in the context of the past-event condition; and

(b) for the obligation condition, paragraph 14F provides specific criteria to apply.

Subsequent tentative decision to omit paragraph 14Q

14. In May 2026, the IASB tentatively decided to replace paragraph 14Q with application requirements for levies.

15. These requirements (which are set out in paragraphs 83G–83K of Agenda Paper 22D *Levies—Indicative drafting* for this meeting) would require no judgements about an entity's practical ability to avoid taking any remaining actions required for the levy to be payable. The entity would instead consider the probability of it conducting those activities in applying the 'probable transfer' recognition criterion in paragraph 14(b) of IAS 37.

Consequences for paragraph 14R

Staff analysis

16. Having tentatively decided to omit paragraph 14Q from IAS 37, the IASB will need to decide what to do with paragraph 14R.

17. One option would be to omit paragraph 14R on the basis that, having removed paragraph 14Q there is no need for any requirements to support paragraph 14Q.

18. An alternative option would be to keep the concept underpinning 14R but move it into the section of requirements supporting the obligation condition, tailoring it for its new context:

> A decision to prepare an entity's financial statements on a going concern basis implies that the entity has no practical ability to avoid ~~taking an action~~ discharging a responsibility it could avoid discharging only by liquidating the entity or by ceasing to trade.

19. The basis for this approach would be that the concept applied in paragraph 14R:

    (a) holds true in the context of the obligation condition; and

    (b) could be useful in some cases as a supplement to the specific criteria proposed in paragraph 14F. We think there is no tension between these criteria and the concept applied in paragraph 14R.

Staff recommendation

20. For the reasons in paragraph 19, we recommend moving the requirement proposed in paragraph 14R of the Exposure Draft, so it forms part of the requirements supporting the obligation condition for recognising a provision, instead of the requirements supporting the past-event condition.

Question for the IASB

Paragraph 14R
Do you agree with the recommendation in paragraph 20?

Requests for clarification of aspects of paragraph 14Q

21. The tentative decision to replace paragraph 14Q with application requirements for levies has a secondary consequence. It affects our analysis of whether and how the IASB needs to respond to requests for clarification of aspects of the requirement proposed in paragraph 14Q.

22. Respondents to the Exposure Draft asked for clarification of three aspects of that requirement. We list these requests and our staff responses in the appendix to this paper.

23. In each case, we think that that IASB has already resolved the issues raised by the respondents. It has done so in replacing paragraph 14Q with the application requirements for levies drafted in Agenda Paper 22D *Levies—Indicative Drafting*. Consequently, we have concluded that the IASB need take no further action in respect of the three requests.

24. We will not raise any of these requests for discussion in the meeting unless asked to do so by an IASB member.

Appendix A—Requests for clarification of paragraph 14Q

	Request	Staff comment
(a)	A few respondents asked for clarification of the interaction between paragraph 14Q (two or more actions) and paragraph 14O (actions taken over time). Specifically, they asked which paragraph takes precedence for levies that require two actions, with the first occurring at a point in time and the second over a period.	The draft application requirements for levies will clarify the process to follow if two (or more) activities are required for a levy to be payable and one (or more) of these activities is taken over time. As detailed in Paper 22D *Levies—Indicative drafting:* • the first step is to identify the activity the government is seeking to levy (the relevant activity) (paragraph 83H) • the next step is to consider whether the relevant activity is conducted over time (paragraph 83I). Example 2—*An energy windfall levy* (over time) and Example 5—*A central bank levy* (point in time) illustrate this process.
(b)	A few respondents raised concerns about the requirement in paragraph 14Q to judge the entity's practical ability to avoid actions that would trigger a transfer. They said the judgement could be subjective (especially if the time between the first and remaining actions is long) and so could lead to diversity in practice. They requested examples illustrating how to reach a conclusion in various circumstances.	The application requirements for levies that replace paragraph 14Q would not require a preparer to assess an entity's' practical ability to avoid any remaining actions required to trigger a levy. Instead, they would require the preparer to assess whether it is probable that the entity will take any such actions—see Agenda Paper 22D, paragraphs 83K-83L, Example 2—*An energy windfall levy* and Example 3—*A digital services levy*.

	Request	Staff comment
(c)	Some respondents—mainly accounting firms— noted that the Exposure Draft proposed to require preparers to apply the 'no practical ability to avoid' concept in two separate contexts—first in applying the obligation condition (paragraphs 14B(c) and 14F) and then in applying the past-event condition (paragraphs 14Q and 14R): • some respondents said it was unclear whether the entity should consider the same factors in each case. Some said they thought paragraph 14R sets a higher threshold than paragraph 14F. • some respondents said the use of the same terminology for these 'subtly different' contexts could cause confusion. They asked the IASB to explain more directly within IAS 37 the difference between the two contexts and how the test should be applied in each case.	The IASB's tentative decision to omit paragraph 14Q means that IAS 37 will require preparers to apply the 'no practical ability to avoid' concept in only one context—ie in applying the obligation condition. Paragraph 14F of the Exposure Draft specifies criteria for applying the concept in that context (see paragraph 11 of this paper).