

Guidance on implementing IAS 37 Provisions, Contingent Liabilities and Contingent Assets

This guidance accompanies, but is not part of, IAS 37.

A Tables – Provisions, contingent liabilities, contingent assets and reimbursements

The purpose of these tables is to summarise the main requirements of the Standard.

Provisions and contingent liabilities

| | | |
|---|---|--|
| Where, as a result of past events, there may be an outflow of resources embodying future economic benefits in settlement of: (a) a present obligation; or (b) a possible obligation whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. | | |
| There is a present obligation that probably requires an outflow of resources. | There is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. | There is a possible obligation or a present obligation where the likelihood of an outflow of resources is remote. |
| A provision is recognised (paragraph 14). | No provision is recognised (paragraph 27). | No provision is recognised (paragraph 27). |
| Disclosures are required for the provision (paragraphs 84 and 85). | Disclosures are required for the contingent liability (paragraph 86). | No disclosure is required (paragraph 86). |

A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably. Disclosures are required for the contingent liability.

Contingent assets

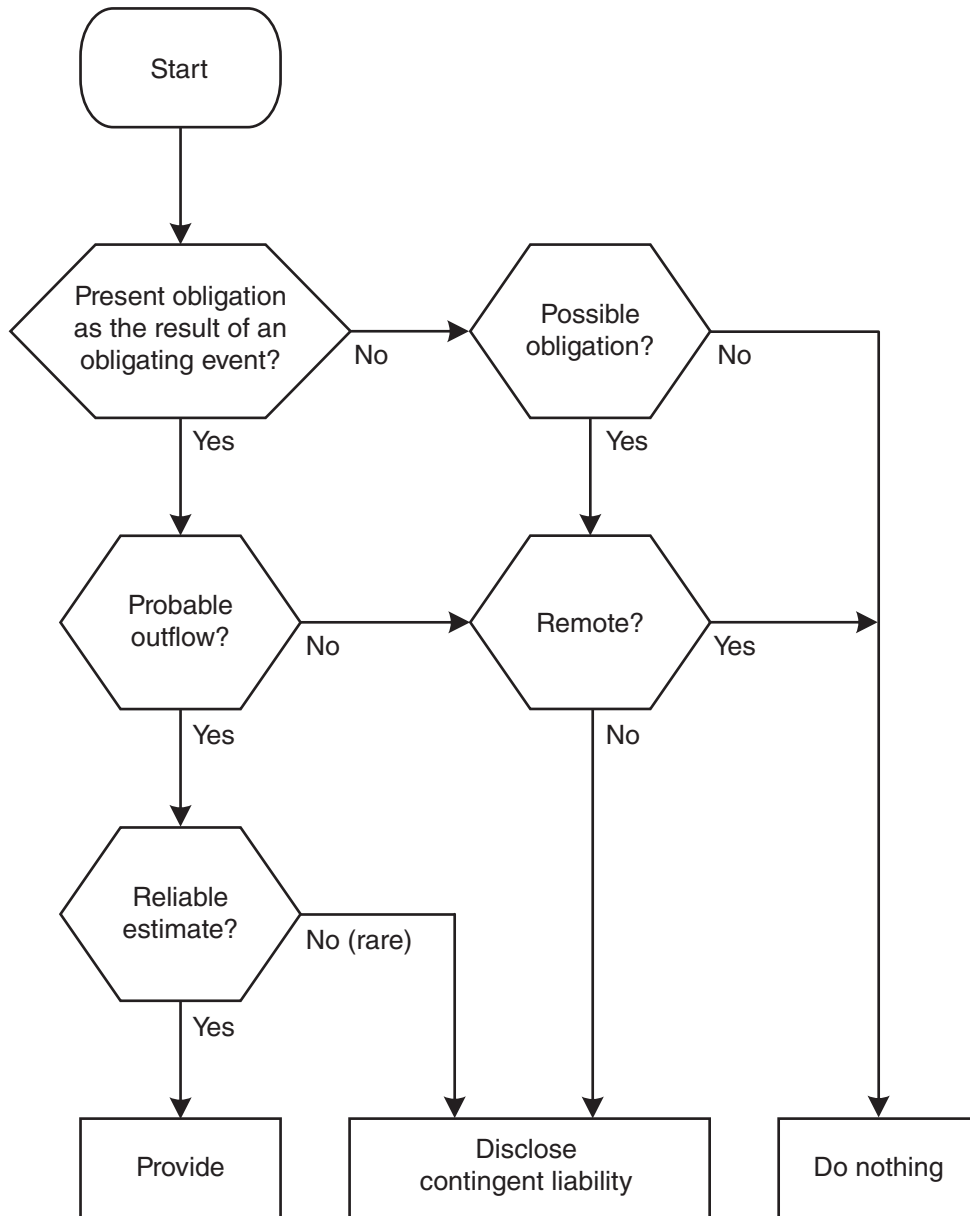
| | | |
|--|--|---|
| Where, as a result of past events, there is a possible asset whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. | | |
| The inflow of economic benefits is virtually certain. | The inflow of economic benefits is probable, but not virtually certain. | The inflow is not probable. |
| The asset is not contingent (paragraph 33). | No asset is recognised (paragraph 31). | No asset is recognised (paragraph 31). |
| | Disclosures are required (paragraph 89). | No disclosure is required (paragraph 89). |

Reimbursements

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| Some or all of the expenditure required to settle a provision is expected to be reimbursed by another party. | | |
| The entity has no obligation for the part of the expenditure to be reimbursed by the other party. | The obligation for the amount expected to be reimbursed remains with the entity and it is virtually certain that reimbursement will be received if the entity settles the provision. | The obligation for the amount expected to be reimbursed remains with the entity and the reimbursement is not virtually certain if the entity settles the provision. |
| The entity has no liability for the amount to be reimbursed (paragraph 57). | The reimbursement is recognised as a separate asset in the statement of financial position and may be offset against the expense in the statement of comprehensive income. The amount recognised for the expected reimbursement does not exceed the liability (paragraphs 53 and 54). | The expected reimbursement is not recognised as an asset (paragraph 53). |
| No disclosure is required. | The reimbursement is disclosed together with the amount recognised for the reimbursement (paragraph 85(c)). | The expected reimbursement is disclosed (paragraph 85(c)). |

B Decision tree

The purpose of this diagram is to summarise the main recognition requirements of the Standard for provisions and contingent liabilities.



Note: In rare cases, it is not clear whether there is a present obligation. In these cases, a past event is deemed to give rise to a present obligation if, taking account of all available evidence, it is more likely than not that a present obligation exists at the end of the reporting period (paragraph 15 of the Standard).