

IASB[®] meeting

Date	June 2024
Project	Provisions—Targeted Improvements
Topic	Cover note and summary of tentative decisions
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Session overview

1. In this project, the International Accounting Standards Board (IASB) is developing proposals for three targeted amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. It has reached tentative decisions on all three topics. These tentative decisions are set out in the appendix to this paper.
2. In this session, the IASB will be asked to consider:
 - (a) three sweep issues arising as a consequence of the tentative decisions
—Agenda Paper 22A *Sweep issues*;
 - (b) transition requirements for the proposed amendments
—Agenda Paper 22B *Transition requirements*; and
 - (c) an analysis of the costs and benefits of the proposed amendments and a review of the due process followed in developing them
—Agenda Paper 22C *Effects analysis and review of due process*

Appendix—Summary of tentative decisions to date

Topic	Tentative decisions
<p>1</p> <p>Present obligation recognition criterion</p>	<p>April 2024—General requirements and illustrative examples (Agenda Paper 22A)</p> <p>To propose:</p> <ol style="list-style-type: none"> a. updating the ‘liability’ definition and the wording of the present obligation recognition criterion applied in IAS 37 to align them with the <i>Conceptual Framework for Financial Reporting</i> (<i>Conceptual Framework</i>) definition of a liability; b. clarifying the requirements supporting the present obligation recognition criterion by: <ol style="list-style-type: none"> i. separating out and explaining three conditions within the criterion; and ii. expanding the decision tree in the <i>Guidance on implementing IAS 37</i> to show the process an entity could follow to determine whether to recognise a provision, disclose a contingent liability or do neither; c. replacing the requirements supporting the present obligation recognition criterion with new requirements based on concepts in the <i>Conceptual Framework</i>, and then withdrawing IFRIC 21 <i>Levies</i>; d. improving the wording of the explanations of the application requirements for restructuring provisions, without changing those requirements; e. adding new examples to the <i>Guidance on implementing IAS 37</i> and updating the explanation of the conclusions for some of the existing examples, without changing those conclusions; and f. adding no requirements relating specifically to net zero transition commitments.

Topic	Tentative decisions
<p>1</p> <p>Present obligation recognition criterion (continued)</p>	<p><i>April 2024—Threshold-triggered costs</i> (Agenda Paper 22B)</p> <p>To propose adding to IAS 37 application requirements for threshold-triggered costs, specifying that:</p> <ol style="list-style-type: none"> a. a present obligation for a threshold-triggered cost arises as the entity carries out the activity that contributes to the total amount of activity on which the cost is measured; and b. at any date within the measurement period, the amount of the present obligation is a portion of the total estimated cost for the measurement period—the portion being the amount attributable to the activity carried out to that date.
<p>2</p> <p>Discount rates</p>	<p><i>November 2023—Discount rate requirements</i> (Agenda Paper 22)</p> <p>To propose:</p> <ol style="list-style-type: none"> a. specifying the basis on which an entity calculates the discount rate it uses when measuring a provision; and b. specifying a rate that reflects the time value of money with no adjustment for non-performance risk. <p><i>April 2024—Application guidance</i> (Agenda Paper 22C)</p> <p>To propose:</p> <ol style="list-style-type: none"> a. clarifying that the time value of money reflected in the discount rate for a provision is represented by a risk-free rate; and b. providing no further application guidance on estimating the time value of money. <p><i>April 2024—Disclosure requirements</i> (Agenda Paper 22D)</p> <p>To propose requiring an entity to disclose, for each class of provision:</p> <ol style="list-style-type: none"> a. the rate or rates used in measuring the provision; and b. the approach used to determine those rates.

Topic	Tentative decisions
<p style="text-align: center;">3</p> <p>Costs to include in measuring a provision</p>	<p>July 2023 (Agenda Paper 22B)</p> <p>The IASB tentatively decided to propose specifying that:</p> <ul style="list-style-type: none"> a. the expenditure required to settle an obligation comprises the costs that relate directly to settling the obligation; and b. the costs that relate directly to settling an obligation consist of both: <ul style="list-style-type: none"> i. the incremental costs of settling the obligation; and ii. an allocation of other costs that relate directly to settling obligations of that type.