

Provisions – Targeted Improvements: Project Initiation Plan

Executive Summary

Project Type	Influencing
Project Scope	Moderate
Purpose of the paper	
The purpose of this paper is to provide the Board with a draft Project Initiation Plan (PIP) for the project to influence the IASB's forthcoming Exposure Draft (ED) resulting from its <i>Provisions – Targeted Improvements</i> project.	
Summary of the Issue	
The IASB is developing proposals to clarify the following in IAS 37 <i>Provisions, Contingent Liabilities and Contingent Assets</i> : <ul style="list-style-type: none">• when an entity recognises a provision;• whether rates used to discount provisions reflect non-performance risk; and• which costs to include in the measurement of a provision. The IASB is expected to publish an ED in November 2024, with a 120-day comment period.	
Decision for the Board	
Subject to any suggested amendments, does the Board approve the Project Initiation Plan for this project for publication on the UKEB website?	
Recommendation	
We recommend the Board approves the Project Initiation Plan.	
Appendix	
Appendix A [Draft] Project Initiation Plan: <i>Provisions – Targeted Improvements</i> .	

Appendix A: [Draft] Project Initiation Plan: *Provisions – Targeted Improvements*

Purpose

- A1. The International Accounting Standards Board (IASB) has indicated its intention to publish an Exposure Draft (ED) proposing targeted improvements to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. The ED is anticipated to be published in November 2024, with a 120-day comment period.
- A2. This paper sets out a proposed approach and plan for an influencing project for the forthcoming ED *Provisions – Targeted Improvements*.

Background

- A3. The IASB has received stakeholder feedback that although IAS 37 generally works well in practice (and it doesn't need fundamental review), they have identified problems with particular aspects of the Standard¹.
- A4. As a result, the IASB is developing proposals to clarify the following in IAS 37:
- a) when an entity recognises a provision – including whether and, if so, when an obligation conditional on an entity's own future actions is a 'present obligation' and hence a liability;
 - b) whether the rate at which an entity discounts a provision for the time value of money should reflect the entity's own credit risk, that is, the possibility that it may fail to fulfil its obligation; and
 - c) whether a provision for an obligation to deliver goods or services should comprise only the incremental costs of fulfilling the obligation or also include an allocation of other directly related costs.
- A5. In June² and July³ 2024, the Board considered papers summarising the IASB tentative decisions on this project.

¹ [IFRS - Provisions – Targeted Improvements](#).

² Refer to June 2024 [IASB General Update](#) – Appendix A: Provisions – Targeted Improvements.

³ Refer to July 2024 [IASB General Update](#) – Appendix A: Provisions – Targeted Improvements.

Project Plan

- A6. A proportionate approach is proposed, incorporating mandatory milestones listed in paragraph 5.3 of the [UKEB's Due Process Handbook](#) (Handbook). The Secretariat recommends the 'moderate scope' project plan shown below. The factors considered in arriving at this project plan are described in paragraphs A9 – A13. A timeline for the key project milestones is presented in paragraphs A17 and A18.
- A7. Future dates are based on current expectations and are, therefore, subject to subsequent modification. The Board will be alerted to any significant changes.

Key activities	Due Process Handbook reference
Project added to 17 October 2024 UKEB Work Plan .	4.30(b)i Mandatory
Creation of a Project Initiation Plan (this document).	5.4 to 5.8 Mandatory
An education session to be presented at the December 2024 UKEB meeting, subject to publication of the ED in November.	4.10(b) Optional
Desk-based research , including: <ul style="list-style-type: none"> • Review of relevant material produced by third parties, including accounting firms. • Review of IASB's work on the proposals (including staff papers, presentations, meetings and the Exposure Draft, when published). 	5.9 Optional
Stakeholder outreach <ul style="list-style-type: none"> • The Secretariat has engaged with the following UKEB Advisory/Working Groups during the development of the IASB proposals: <ul style="list-style-type: none"> ○ Academic Advisory Group (Sep.23 & Sep.24) ○ Accounting Firms and Institutes Advisory Group (Jun.23 & Jul.24) 	5.10-5.12 Mandatory

<ul style="list-style-type: none"> ○ Investor Advisory Group (Nov.23) ○ Preparer Advisory Group (Oct.23) ○ Financial Instruments Working Group (Jul.24) <p>Over the next months the Secretariat will continue to engage with UKEB Advisory Groups and Working Groups, as appropriate.</p> <ul style="list-style-type: none"> ● In addition, due to the conceptual nature of the forthcoming proposals (i.e. addressing fundamental aspects of the requirements in IAS 37), we plan to undertake targeted outreach with stakeholders, including but not limited to engagement with relevant technical teams at accounting firms. ● The Draft Comment Letter will be published for stakeholder comment on the UKEB website. Stakeholder outreach will continue whilst the Draft Comment Letter is out for comment. ● The Secretariat to promote outreach activities and the Draft Comment Letter via the UKEB Advisory/Working Groups and via the usual channels (LinkedIn, News Alerts to subscribers and UKEB website) to encourage responses. 	
<p>Draft Comment Letter (DCL) for public consultation</p> <ul style="list-style-type: none"> ● Subject to the publication of the IASB’s ED in November 2024, the Secretariat plans to present a DCL for Board approval at its December 2024 meeting. ● The DCL will be published for public comment shortly after Board approval. 	<p>5.13 to 5.17 Generally mandatory</p>
<p>Final comment letter (FCL) submitted to the IASB</p> <ul style="list-style-type: none"> ● The IASB comment period is expected to be 120-days. ● Subject to the publication of the IASB’s ED in November 2024, the Secretariat plans to present a FCL for Board approval at its February 2025 meeting. ● The FCL will be submitted to the IASB as soon as possible following Board approval. 	<p>5.18 Mandatory</p>
<p>Project Closure</p> <ul style="list-style-type: none"> ● Subject to the publication of the IASB’s ED in November 2024, a Feedback Statement and draft Due Process 	<p>5.19 to 5.26 Mandatory</p>

<p>Compliance Statement (DPCS) to be presented for Board approval at its February 2025 meeting.</p> <ul style="list-style-type: none">• The final Feedback Statement will be published on the UKEB website shortly after Board approval.• A final version of the DCPS will be presented for noting at the March 2025 Board meeting and published on the UKEB website shortly after noting.	
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A8. The following considerations have shaped the project plan.

Proportionality assessment

Significance / relevance in the UK

A9. IAS 37 is relevant to most UK IFRS reporters.

Complexity

A10. The IASB has decided to propose targeted improvements to the existing requirements in IAS 37, mainly affecting the recognition and measurement of provisions⁴.

A11. The anticipated amendments, in particular those affecting the recognition of provisions, are expected to address fundamental aspects of the requirements and potentially change current practice for some IFRS reporters. As a result, the anticipated changes to the existing requirements have a risk of unintended consequences.

Expected interest / sensitivity

A12. We anticipate wide interest in this project from a range of stakeholders. We have not been made aware of any significant concerns with the proposed amendments to date. However, questions have been raised about the clarity of certain aspects of the anticipated proposals, such as the proposed changes to address the accounting for levies (which would result in the withdrawal of IFRIC 21).

Expected timeline / urgency

A13. There is no particular urgency to the project and the IASB project follows the standard timeline for publications of Exposure Drafts. The ED is expected to be published in November 2024 with a 120-day comment period.

⁴ No amendments are expected to the requirements in IAS 37 for contingent liabilities and contingent assets.

UKEB project scope

- A14. Based on the proportionality assessment above we recommend a 'moderate' project scope and the approach described in the project plan reflects this.

Resources allocated

- A15. Based on this project plan, we consider a project team consisting of one Project Director and one Project Manager, with technical support and oversight from a Senior Project Director, should ensure that project milestones are achievable. Communications support will be obtained as appropriate. The required resources are allowed for in the UKEB plan and budget.

Setting up an ad-hoc advisory group

- A16. It is not considered necessary to set up a separate, ad-hoc advisory group. The existing UKEB Advisory/Working Groups are well placed to provide feedback on this project.

Project timeline

- A17. The proposed high-level project timeline is shown below. This provides a best estimate based on information known at this time, assuming the publication of the IASB's ED in November 2024. Future dates are based on current expectations and are, therefore, subject to subsequent modification. The Board will be alerted to any significant changes.

Date	Milestone
17 Oct 2024	Project Initiation Plan for Board approval.
November 2024	IASB publishes Exposure Draft with 120-day comment period.
12 Dec 2024	Board Education Session. Draft Comment Letter for Board approval.

Estimated DCL consultation period (no less than 30 days) - mid-Dec 2024 to early-Feb 2025	
27 Feb 2025	Final Comment Letter, Feedback Statement and draft Due Process Compliance Statement for Board approval.
March 2025	Final Comment Letter submitted to IASB.
28 Mar 2025	Due Process Compliance Statement for noting.

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Provisions – Targeted Improvements – Proposed timeline

A18. The diagram below is a graphical view of the content in the table (paragraph A17) above. It provides a best estimate based on information known at this time, assuming the publication of the IASB’s ED in November 2024. Future dates are based on current expectations and are, therefore, subject to subsequent modification. The Board will be alerted to any significant changes.

