Invitation to Comment

## Call for comments on the UKEB Draft Comment Letter on the IASB’s Exposure Draft *Provisions – Targeted Improvements*

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| Deadline for completion of this Invitation to Comment:Monday 10 February 2025Please submit to:[UKEndorsementBoard@endorsement-board.uk](mailto:UKEndorsementBoard@endorsement-board.uk) |

### Introduction

The objective of this Invitation to Comment is to obtain input from stakeholders on the UKEB Draft Comment Letter (DCL) on the Exposure Draft (ED) *Provisions – Targeted Improvements* published by the International Accounting Standards Board (IASB) on 12 November 2024. The IASB comment period ends on 12 March 2025.

### UK endorsement and adoption process

The UK Endorsement Board (UKEB) is responsible for endorsement and adoption of IFRS for use in the UK and therefore is the UK’s National Standard Setter for IFRS. The UKEB also leads the UK’s engagement with the IFRS Foundation (Foundation) on the development of new standards, amendments, and interpretations. This letter is intended to contribute to the IASB’s due process. The views expressed by the UKEB in this letter are separate from, and will not necessarily affect the conclusions in, any endorsement and adoption assessment on new or amended International Accounting Standards undertaken by the UKEB.

### Who should respond to this Invitation to Comment?

Stakeholders with an interest in the quality of accounts prepared in accordance with international accounting standards.

### How to respond to this Invitation to Comment

Please download this document, answer any questions on which you would like to provide views, and return it together with the ‘Your Details’ form to [UKEndorsementBoard@endorsement-board.uk](mailto:UKEndorsementBoard@endorsement-board.uk) by close of business Monday 10 February 2025.

**Brief responses providing views on individual questions are welcome, as well as comprehensive responses.**

### Privacy and other policies

The data collected through responses to this document will be stored and processed by the UKEB. By submitting this document, you consent to the UKEB processing your data for the purposes of influencing the development of and adopting IFRS for use in the UK. For further information, please see our [Privacy Statements and Notices](https://www.endorsement-board.uk/privacy-policy) and other Policies (e.g. Consultation Responses Policy and Data Protection Policy)[[1]](#footnote-2).

The UKEB’s policy is to publish on its website all responses to formal consultations issued by the UKEB unless the respondent explicitly requests otherwise. A standard confidentiality statement in an e-mail message will not be regarded as a request for non-disclosure. If you do not wish your signature to be published, please provide the UKEB with an unsigned version of your submission. The UKEB prefers to publish responses that do not include a personal signature. Other than the name of the organisation/individual responding, information contained in the “Your Details” document will not be published. The UKEB does not edit personal information (such as telephone numbers, postal or e-mail addresses) from any other response document submitted; therefore, only information that you wish to be published should be submitted in such responses.

## Questions

### Definition of a liability and recognition criteria

1. The UKEB’s DCL notes that whilst the UKEB supports the objective of clarifying the recognition criteria, we are concerned that the current proposals may create new interpretation issues. The UKEB’s DCL identifies some areas where further consideration might be needed to avoid the risk of unforeseen consequences and, potentially, diversity in practice. [DCL paragraphs 4 -6 and A1 – A19]

Do you agree with this position? Please explain why or why not.

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| **Yes** |  | **No** |  |
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1. The IASB’s ED proposes amendments to the present obligation recognition criterion including the introduction of a ‘no practical ability to avoid’ test. [ED paragraphs 14B(c), 14F and 14Q]

Do you consider the proposed test is clear and would allow consistent application across a variety of fact patterns and different reporting periods? If not, what would you recommend instead? Please provide examples of fact patterns that might need further consideration, for which the likely impact of the proposals is expected to be material.

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1. The IASB’s ED proposes amendments to the present obligation recognition criterion including the introduction of a ‘transfer’ condition into IAS 37. [ED paragraphs 14I – 14L] The proposals make an explicit distinction between a transfer and an ‘exchange’ transaction.

Do you consider the proposed requirements are clear and would allow consistent application across a variety of fact patterns? If not, what would you recommend instead? Please provide examples of fact patterns that might need further consideration, for which the likely impact of the proposals is expected to be material.

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1. The IASB’s ED proposes the introduction of a ‘past-event’ condition. [ED paragraphs 14M – 14R] As part of this, the ED also proposes specific guidance for obligations to transfer an economic resource only if the entity takes two (or more) separate actions [ED paragraph 14Q].

Do you consider the underlying principle behind the identification of the relevant ‘action(s)’, and the distinction between actions and measurement bases, is clear and would facilitate consistent application across a variety of fact patterns? If not, what would you recommend instead? Please provide examples of fact patterns that might need further consideration, for which the likely impact of the proposals is expected to be material.

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1. The IASB’s proposes limited editorial amendments to the section in IAS 37 ‘Application of the recognition and measurement rules – Restructuring’. The UKEB DCL [paragraphs 6(d) and A20] considers such guidance could be perceived as confusing or inconsistent with other proposals in the ED and recommends it is presented using the new structure for the assessment proposed in the ED (i.e. disaggregating by obligation, transfer and past-event).

Do you agree with this position? Please explain why or why not.

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| **Yes** |  | **No** |  |
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### Measurement – Expenditure required to settle an obligation

1. The UKEB’s DCL agrees with the proposed clarification of the costs an entity includes in estimating the future expenditure required to settle an obligation. However, it also recommends further consideration on how the proposed amendment would be applied to certain obligations not settled by the provision of goods or services, such as legal claims. [DCL paragraphs 7 and A21 – A22]

Do you agree with this position? Please explain why or why not.

If you do not agree with the IASB proposal, please provide examples of:

* costs that you consider would be captured by the proposed amendments but in your view should not be part of the measurement of a provision; and/or
* costs that would not be captured by the proposed amendments but you consider should be part of the measurement of a provision.

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### Measurement – Discount rates

1. On balance, the UKEB’s DCL supports the proposed amendment to discount the future expenditure required to settle an obligation at a rate (or rates) that reflect(s) the time value of money (represented by a risk-free rate) and the risk surrounding the amount or timing of the expenditure required to settle the obligation, excluding non-performance risk. The DCL also supports the proposed related disclosure requirements. [DCL paragraphs 8 and A23 – A25]

The UKEB’s DCL also notes that the IASB proposal would create a disconnect with the measurement principle specified in IAS 37 paragraph 37 and recommends the IASB considers clarifying that the proposed amendment is an exception to the measurement principle as envisaged in paragraph 6.92 of the *Conceptual Framework for Financial Reporting* [DCL paragraph A24]

Do you agree with this position? Please explain why or why not.

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| **Yes** |  | **No** |  |
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### Transition requirements

1. The UKEB’s DCL agrees with the proposed transition requirements but recommends the IASB considers requiring the exceptions to retrospective application to be applied at the same date (i.e. date of initial application or transition date). [DCL paragraphs A26 – A28]

Do you agree with this position? Please explain why or why not.

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| **Yes** |  | **No** |  |
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### Disclosure requirements for subsidiaries without public accountability

1. The UKEB’s DCL supports the proposed consequential amendments to IFRS 19 *Subsidiaries without Public Accountability: Disclosures*. [DCL paragraph A29]

Do you agree with this position? Please explain why or why not.

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| **Yes** |  | **No** |  |
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### Guidance on implementing IAS 37

1. The UKEB’s DCL supports the proposed amendments to the decision tree in Section B and to the illustrative examples in the *Guidance on implementing IAS 37*. However, the DCL also highlights some perceived inconsistencies and makes some recommendations. In addition, it recommends the IASB to consider whether the examples should be transferred to the main body of the standard, as application guidance that is an integral part of the standard [DCL paragraphs 6(c) and A30 – A33]

Do you agree with this position? Please explain why or why not.

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| **Yes** |  | **No** |  |
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### Consequential amendments to other IFRS Accounting Standards

1. The UKEB’s DCL recommends the IASB considers whether an exception to the measurement principle in IFRS 3 *Business Combinations* is needed for provisions in scope of IAS 37. [DCL paragraph A34]

Do you agree with this position? Please explain why or why not.

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| **Yes** |  | **No** |  |
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### Other comments

1. Have you identified any factors the IASB should consider in assessing the time needed to prepare for the amendments proposed in the IASB’s Exposure Draft? If so, please describe them below.

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1. Do you have any comments on the potential costs and benefits likely to arise from the proposed targeted improvements to IAS 37?

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1. Have you identified any potential unintended consequences likely to arise from the application of the proposed amendments to IAS 37? If so, please provide further information.

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1. Do you have any other comments on the IASB’s Exposure Draft or the UKEB’s DCL you would like to share?

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| **Yes** |  | **No** |  |
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## Thank you for completing this Invitation to Comment

### Please submit this document by

### Monday 10 February 2025 to

### [UKEndorsementBoard@endorsement-board.uk](mailto:UKEndorsementBoard@endorsement-board.uk)

1. These policies can be accessed from the footer in the UKEB website here: <https://www.endorsement-board.uk> [↑](#footnote-ref-2)