



THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA
(Set up by an Act of Parliament)

Western India Regional Council

WIRC/ICAI/ 6425/2021

23rd March, 2021

CA. Parminder Kaur

Secretary, Accounting Standards Board,
The Institute of Chartered Accountants of India,
ICAI Bhawan, Post Box No. 7100,
Indraprastha Marg, New Delhi 110 002

Dear Sir/ Madam,

**Sub.: Exposure Draft of Onerous Contracts - Amendments to Ind AS 37, Provisions,
Contingent Liabilities and Contingent Assets**

Please find attached comments on Exposure Draft of Onerous Contracts - Amendments to Ind AS 37, Provisions, Contingent Liabilities and Contingent Assets, for your doing the needful.

Kindly acknowledge the receipt of the same.

Thanking You,

Yours truly,

CA. Manish Gadia
Chairman - WIRC of ICAI



EXPOSURE DRAFT ON IND AS – 37 PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

68A The cost of fulfilling a contract comprises *the costs that relate directly* to the contract. Costs that relate directly to a contract consist of both:

- (a) the incremental costs of fulfilling that contract—for example, direct labour and materials; and
- (b) an allocation of other costs that relate directly to fulfilling contracts—for example, an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling that contract among others.

Para 68A explains the term 'the cost of fulfilling a contract' and in explanation thereof included and defined a new term 'the costs that relate directly'.

Para 16 and 17 of Ind AS 16 includes and defines the term 'directly attributable cost'. The word 'directly attributable cost' has been used since beginning and has passed the test of practicability. **So it is suggested to use the same term 'directly attributable cost to the contract' instead of 'the costs that relate directly to the contract'.**