

Comments On Exposure Draft

Exposure Draft on Provisions—Targeted Improvements - Proposed amendments to IAS 37 issued by the IASB

1.) Discount Rate Specification

Issue: The proposed mandatory use of "risk-free rates" for discounting aims to standardize practices. However, the lack of guidance on determining the risk-free rate in regions with volatile financial markets could hinder consistent application.

Reason: A one-size-fits-all risk-free rate may not reflect economic realities in different jurisdictions, leading to less meaningful comparisons.

Recommendation: Specify acceptable methods or proxies for determining risk-free rates globally and address transitional considerations for entities switching from non-performance adjusted rates.

2.) Illustrative Guidance and Decision Tree

Issue: The expanded decision tree is helpful but may be insufficient for rare cases, such as disputes over whether obligations meet the "more likely than not" threshold.

Reason: Ambiguity persists in determining when "unclear facts or circumstances justify recognizing a provision or disclosing a contingent liability.

Recommendation: Provide detailed explanations or step-by-step procedures for rare, borderline cases in future updates to IAS 37.

3.) Discount Rate Specification

Issue: The proposed mandatory use of "risk-free rates" for discounting aims to standardize practices. However, the lack of guidance on determining the risk-free rate in regions with volatile financial markets could hinder consistent application.

Reason: A one-size-fits-all risk-free rate may not reflect economic realities in different jurisdictions, leading to less meaningful comparisons.

Recommendation: Specify acceptable methods or proxies for determining risk-free rates globally and address transitional considerations for entities switching from non-performance adjusted rates.

4.) Further Clarification of Key Terms

Liability Definition: Expand on how the updated liability definition applies in diverse practical scenarios. This could include additional illustrative examples, particularly for complex obligations like decommissioning or multi-jurisdictional levies.

Costs to Settle Provisions: Provide more granular guidance on what constitutes "incremental costs" and "directly related costs" to improve uniform application.

Thanks & Regards



CA Hitesh Dhull
Chairperson
ICAI-Sonepat (NIRC)