

**Staff Paper: PBE/NFP-specific modifications to the IFRS to replace IAS 37**

1. The purposes of this paper are to:
  - (a) discuss the rationale for the existing PBE/NFP-specific modification to AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*;
  - (b) propose PBE/NFP-specific modifications to the Working Draft IFRS *Liabilities* (the IFRS intended to replace IAS 37); and
  - (c) discuss the due process that should be followed in making those modifications.

**‘Obligations’ arising from local government or government existing public policies, budget policies, election promises or statements of intent**

**Rationale for including PBE/NFP-specific modification in AASB 137**

2. To date, the AASB has grandfathered existing guidance on ‘obligations’ arising from local government or government existing public policies, budget policies, election promises or statements of intent. The Board’s intention has been to defer amending that guidance until it undertakes its longer-term project on such ‘obligations’, within its project on accounting for social benefits.
3. This intention was noted in the Board’s Basis for Conclusions on AASB 2007-9 *Amendments to Australian Accounting Standards arising from the Review of AASs 27, 29 and 31* (December 2007) explaining how the PBE/NFP-specific guidance contained in former Australian Accounting Standards AASs 27, 29 and 31 was incorporated into AASB 137 when those AASs were superseded. Paragraphs BC25 – BC27 of AASB 2007-9 say:

“The Board decided to address obligations arising from local government and government existing public policies, budget policies, election promises or statements of intent of local governments, government departments and governments by relocating the pertinent content of paragraphs 12.1.2 and 12.1.3 of AAS 31, substantively unamended, into AASB 137 as Aus paragraphs ...

The Board noted that the inclusion of those Aus paragraphs is not intended to achieve a different result, in terms of the recognition of liabilities, from the practice followed by local governments, government departments and governments under Australian Accounting Standards at the date of introduction of the amendments to AASB 137. These obligations raise issues for financial reporting that require further research.

The Board concluded that this action is appropriate as a short-term measure until such time as the AASB undertakes the longer-term project on obligations arising from local government and government existing public policies, budget policies, election promises and statements of intent, as outlined in the AASB's Public Sector Policy Paper."

### **Decision at joint AASB/FRSB meeting**

4. At the March 2010 joint Board meeting, the AASB decided not to retain the grandfathered guidance in paragraphs Aus26.1 and Aus26.2 of AASB 137 (see Appendix A) on when present obligations do, and do not, arise in respect of 'obligations' arising from local government or government existing public policies, budget policies, election promises or statements of intent. Board members expressed concern that such guidance is incompatible with a scope exclusion. This is a change from the Board's previous position to retain that guidance until it decides when present obligations arise from social benefit programmes, taking into account the outcome of the IPSASB's work on that topic. The IPSASB's project on social benefits will not be completed for some time.
5. Therefore, the AASB staff considered alternative approaches to wording a PBE/NFP-specific scope exclusion in the Australian Accounting Standard that would incorporate the new IFRS *Liabilities*. These approaches are addressed below.

### **Approaches considered by AASB staff**

6. The approaches considered by AASB staff are:
  - (a) basing the scope exclusion on the PBE/NFP-specific guidance presently contained in IPSAS 19 *Provisions, Contingent Liabilities and Contingent Assets*; or
  - (b) developing the scope exclusion from scratch.

### ***Basing the scope exclusion on IPSAS 19***

7. IPSAS 19 is drawn primarily from IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. IPSAS 19 includes commentary additional to that in IAS 37 to clarify the applicability of the Standard to public sector entities. IPSAS 19 paragraph 1(a) scopes out “those provisions and contingent liabilities arising from social benefits provided by an entity for which it does not receive consideration that is approximately equal to the value of goods and services provided, directly in return from the recipients of those benefits”. However, if the entity recognises provisions for social benefits, paragraph 10 of IPSAS 19 requires certain disclosures to be made.
8. Paragraph 9 of IPSAS 19 explains this scope exclusion by saying “... This exclusion would encompass those circumstances where a charge is levied in respect of the benefit but there is no direct relationship between the charge and the benefit received. The exclusion of these provisions and contingent liabilities from the scope of this Standard reflects the Committee’s view that both the determination of what constitutes the obligating event and the measurement of the liability require further consideration before proposed Standards are exposed.”
9. Full text of the IPSAS 19 paragraphs dealing with this scope exclusion is set out in Appendix B. AASB staff consider that the draft changes to IAS 37 reflected in the Working Draft IFRS *Liabilities* have few implications for the appropriateness of the wording in IPSAS 19. The following discussion focuses on more substantive issues regarding the wording in IPSAS 19.
10. AASB staff has the following concerns with using the IPSAS 19 wording to scope out ‘obligations’ arising from local government or government existing public policies, budget policies, election promises or statements of intent:
  - (a) It would involve defining ‘social benefits’ in advance of the Board’s detailed consideration of the topic when it develops recognition and measurement requirements for social benefit obligations of public sector entities;
  - (b) It would scope out only social benefits to be provided in non-exchange transactions, thus implying that whether social benefit ‘obligations’ are liabilities depends on whether social benefits are provided in exchange or non-

exchange transactions. In their recent re-deliberations of AASB ED 180/FRSB ED 118 *Income from Non-exchange Transactions (Taxes and Transfers)*, the AASB and FRSB decided to broaden considerably the notion of a present obligation that might arise from a non-exchange transaction. In the light of that joint decision, would the AASB and FRSB want to create the impression that whether social benefit ‘obligations’ are liabilities depends on whether social benefits are provided in exchange or non-exchange transactions?

- (c) The items effectively scoped out by the PBE/NFP-specific modification in AASB 137 seem potentially broader than social benefit obligations. For example, some stand-ready obligations of public sector entities (such as obligations to stand ready to provide assistance in the event of a disaster) arising from local government or government existing public policies, budget policies, election promises or statements of intent might not be obligations to provide social benefits;
  - (d) Readers of Australian Accounting Standards would be familiar with “obligations arising from local government or government existing public policies, budget policies, election promises or statements of intent”. In addition, the meaning of these ‘obligations’ did not require elaboration in AASB 137, whereas IPSAS 19 contains a lengthy explanation of ‘social benefits’;
  - (e) Paragraph 9 of IPSAS 19 provides rationale that belongs more appropriately in a Basis for Conclusions; and
  - (f) Paragraph 11 of IPSAS 19 includes guidance on when a liability would exist. This contradicts the Boards’ comment at their joint meeting that such guidance does not belong in a scope exclusion.
11. Based on these concerns, the staff thinks that the scope exclusion for this topic should not be based on IPSAS 19, at least until an IPSAS on the recognition and measurement of social benefits is developed.

**Question 1**

Do Board members agree that the scope exclusion for this topic should not be based on IPSAS 19 at this time?

***Drafting a scope exclusion from scratch***

12. AASB staff propose a scope exclusion that:
- (a) relates to ‘obligations’ arising from local government or government existing public policies, budget policies, election promises or statements of intent;
  - (b) includes an explanation that the exclusion applies until the Boards develop recognition and measurement requirements for such obligations, having regard to the outcome of the IPSASB’s currently-incomplete work on Social Benefits; and
  - (c) notes that, if an entity recognises a liability for an obligation arising from local government or government existing public policies, budget policies, election promises or statements of intent, it needs to make the disclosures set out in the Standard.

An illustration of such a scope exclusion is provided in the shaded text on pages 8 – 9.

**Question 2**

Do Board members agree with the features of the scope exclusion proposed in paragraph 12 of this paper?

**To which entities should the scope exclusion apply?**

13. Presently, the relevant scope exclusion in NZ-IAS 37 applies to the Crown. The corresponding PBE/NFP-specific modification in AASB 137 applies to obligations of a local government, government department or government (when those obligations arise from a local government or government existing public policy, budget policy, election promise or statement of intent).

14. The first issue to consider is whether the scope exclusion should apply to all PBEs/NFPs or just to public sector PBEs/NFPs (in the latter instance, either specified categories of public sector PBEs/NFPs or all public sector PBEs/NFPs).
15. One viewpoint is that the PBE/NFP-specific scope exemption should not apply to private sector PBEs/NFPs (such as charities) because:
  - (a) private sector PBEs/NFPs have different expectations placed on them from those placed on public sector entities. Until they receive donations or other transfers of economic benefits, private sector PBEs/NFPs do not owe a duty or responsibility to other parties to perform in a particular way (see paragraph 9 of the Working Draft IFRS *Liabilities*). In contrast, public sector entities may owe a duty or responsibility to other parties to perform in a particular way regardless of when they receive inflows of economic benefits. For example, paragraph Aus26.2 of AASB 137 states that the occurrence of a disaster, where a government has a clear and formal policy to provide financial aid to victims, causes the government to have little discretion to avoid the sacrifice of future economic benefits. In contrast, the occurrence of a disaster does not of itself cause charities to have a duty or responsibility to provide financial assistance to victims: charities could only incur obligations when they receive economic benefits subject to stipulations; and
  - (b) including private sector PBEs/NFPs in the scope exemption may misleadingly imply that, without the exemption, those entities would have been required to recognise liabilities in respect of obligations of arising from a local government or government existing public policy, budget policy, election promise or statement of intent.
16. Another viewpoint is that the scope exclusion should apply to all PBEs/NFPs. Supporters of this view argue that, if private sector PBEs/NFPs do not have obligations of the nature in question, any scope exclusion will not be applicable to such PBEs/NFPs. Therefore, they argue, there is no need to create an amendment that applies to one class of PBEs/NFPs but not another class.
17. AASB staff think the arguments for limiting the PBE/NFP-specific scope exemption to public sector PBEs/NFPs are more persuasive. FRSB staff have yet to decide their

recommendation to the FRSB on this issue but are likely to recommend that the scope exemption should apply to public and private sector PBEs/NFPs.

18. If the Board were to agree that the PBE/NFP-specific scope exemption should be limited to public sector PBEs/NFPs, the second issue to consider is whether the affected PBEs/NFPs should simply be described as ‘public sector PBEs/NFPs’ or as ‘local governments, government departments and governments’ (the entities identified in the grandfathered scope exclusion presently in AASB 137). Local governments, government departments and governments are the only excluded PBEs/NFPs in AASB 137 because the AASB transferred that exemption without amendment to AASB 137 when it superseded AAS 27, AAS 29 and AAS 31. The issue at stake is whether the scope exemption should be extended to other public sector PBEs/NFPs such as any PBE/NFP statutory authorities.
19. One viewpoint is that, if the scope exemption is intended as a temporary measure until the Boards resolve how to account for obligations arising from a local government or government existing public policy, budget policy, election promise or statement of intent, it is appropriate to retain the existing applicability of that scope exemption. Another viewpoint is that public sector PBEs/NFPs other than local governments, government departments and governments should also be subject to the scope exemption, because the reasons for the scope exemption seem equally relevant for all public sector PBEs/NFPs. Moreover, to develop a common scope exclusion for both the AASB and FRSB, the applicability of the present scope exclusion in NZ IAS 37 (which applies to the Crown) would need to change. Logically, the AASB should also be willing to change the applicability of the scope exemption where (as noted above) there is a good reason to do so. For these reasons, AASB staff think the scope exemption should apply to ‘public sector PBEs/NFPs’.

### **Question 3**

Do Board members agree that the scope exemption for ‘obligations’ arising from local government or government existing public policies, budget policies, election promises or statements of intent should apply to public sector PBEs/NFPs?

*Drafting that illustrates the proposals above*

20. To assist Board members in answering the questions above, AASB staff propose the wording for the scope exclusion and related guidance set out below in shaded text. In keeping with the principle that drafting issues are not discussed at Board meetings, this wording is provided as background information rather than for voting on.
21. A drafting amendment that the staff proposes is to insert ‘solely’ between ‘obligations that arise’ and ‘from a local government’s or government’s public policy, budget policy, election promise or statement of intent’. This is designed to avoid scoping out obligations that:
- (a) arise *pursuant to* a local government’s or government’s public policy, budget policy, election promise or statement of intent; but
  - (b) involve further action by the reporting entity, such as establishing a grant programme under which that entity cannot refuse to pay a grant to a grant applicant that has met the criteria to receive the grant.
22. Such an obligation is illustrated in the first Illustrative Example discussed in the next section of this staff paper.

2. An entity shall apply this Standard to all liabilities except: ...

Aus(c) that, in the case of public sector not-for-profit entities, the recognition and measurement requirements do not apply to obligations that arise solely from a local government’s or government’s public policy, budget policy, election promise or statement of intent.

AusX. The scope exclusion in paragraph Aus2(c) applies until the AASB develops recognition and measurement requirements for such obligations, having regard to the outcome of the project of the International Public Sector Accounting Standards Board (IPSASB) to develop recognition, measurement and disclosure requirements for ‘social benefit’ obligations. That IPSASB project is currently incomplete.

AusX. The scope exclusion in paragraph Aus2(c) does not apply to this Standard’s

disclosure requirements. Therefore, if a public sector not-for-profit entity recognises a liability for an obligation arising solely from a local government's or government's existing public policies, budget policies, election promises or statements of intent, it needs to make the disclosures set out in this Standard.

## Illustrative Examples

23. Due to the press of time, the 'Illustrative Examples' section of Agenda Paper B7.3 for the joint Board meeting in March 2010 was not discussed at that meeting. Text based closely on paragraphs 19 – 20 of that agenda paper is set out below for the Board's deliberation.
24. Staff recommends incorporating in the New Zealand and Australian standards incorporating the IFRS to replace IAS 37 two illustrative examples along the lines of the examples currently in NZ IAS 37. The New Zealand illustrative examples address situations in which public sector entities would not fall within the scope of the proposed PBE/NFP-specific modification for obligations that arise solely from a local government's or government's public policy, budget policy, election promise or statement of intent, and therefore are required to consider whether a liability shall be recognised. The FRSB previously concluded that these PBE/NFP amendments (additional guidance) are necessary to address PBE/NFP-specific arrangements for which the implications of IAS 37 were unclear. The guidance also provides balance to the various examples in Appendix C to IAS 37, none of which addresses PBE/NFP-specific circumstances.
25. However, the IASB intends removing the probability recognition criterion for liabilities presently within the scope of IAS 37. Therefore, discussing whether this criterion is satisfied in determining whether to recognise an obligation would be confusing. In addition, some of the IAS 37-based expression used in the current New Zealand illustrative examples would be changed in the new IFRS *Liabilities*. As a result, staff suggests making the following amendments to the current New Zealand illustrative examples when including them in the Boards' new Standards that incorporate the new IFRS replacing IAS 37 (deleted text is struck through and new text is underlined):

## **Public Benefit Entities**

### **Example 1: Non-Discretionary Grant**

Public Sector Entity XYZ provides development grants (Type A grants) to encourage new businesses. Public Sector Entity XYZ has a policy to pay Type A grants (of a minimum amount of 10,000) on receipt of an application which is shown to meet various criteria. Public Sector Entity XYZ's policy of always providing Type A grants and the application criteria for Type A grants are generally known. Public Sector Entity XYZ cannot refuse to pay the grant if the applicant has met the criteria.

The end of Public Sector Entity XYZ's reporting period is 30 June. On 30 June 2000XX, Department M of Public Sector Entity XYZ had received 10 applications for a Type A grant but had not yet made a decision as to the amount of the grants that will be paid to the applicants. Based on past experience, Public Sector Entity XYZ expects to pay a total of 2,000,000 to the applicants.

~~**Present obligation as a result of a past obligating event**~~ – ~~The obligating event is~~ An unconditional obligation arises from the receipt of an each application for a Type A grant that meets the application criteria. Public Sector Entity XYZ has a responsibility to pay grants on the receipt of applications and owes that responsibility to other parties, who will either benefit from Public Sector Entity XYZ's performance or suffer from its non-performance. A legal obligation exists because Public Sector Entity XYZ has stated that it will pay the grant to those applicants that meet the criteria.

~~**An outflow of resources embodying economic benefits in settlement**~~ – Payment of the grants is probable as at 30 June 2000.

~~**Conclusion**~~ – At 30 June 2000XX, Public Sector Entity XYZ recognises a ~~provision liability for the best estimate of the~~ at the amount that it would rationally pay at the end of the reporting period to be relieved of the present obligation to pay grants (see paragraph 14 36A).

### **Example 2: Discretionary Grant**

Public Sector Entity XYZ provides development grants (Type B grants) to encourage new businesses. When an application for a Type B grant is received, a committee considers it for approval. Although it has guidelines for determining which grant applications should be approved, the committee has complete discretion as to whether the grant should be paid. That is, unsuccessful grant applicants have no right of recourse against the committee if, for any reason, their application is refused.

(a) Applicant notified prior to the ~~balance date~~ end of the reporting period

On 15 June 2000XX, Department M received an application for a Type B grant. Prior to the end of the reporting period (30 June 2000XX) a committee approved payment of the grant. However, a decision regarding the amount of the grant had not been made. Based on the grants paid to previous applicants, the committee expected that the amount of the grant would be 50,000. The committee's decision to pay the grant (excluding the amount) was communicated to the applicant on 20 June 2000XX.

~~**Present obligation as a result of a past obligating event**~~ – ~~The obligating event is~~ An unconditional obligation arises from the communication of the committee’s decision to pay the grant. A constructive obligation exists because Public Sector Entity XYZ has created a valid expectation on the part of the applicant that Department M will pay the grant. Public Sector Entity XYZ has a responsibility to pay the grant when the committee’s decision to pay the grant has been communicated and owes that responsibility to another party, who will either benefit from Public Sector Entity XYZ’s performance or suffer from its non-performance.

~~**Conclusion**~~ – ~~A provision liability is recognised for the best estimate of the grant in Public Sector Entity XYZ’s 30 June 2000XX financial statements at the amount that Public Sector Entity XYZ would rationally pay at the end of the reporting period to be relieved of the present obligation to pay the grant (see paragraphs 14 12 and 17-19 36A).~~

(b) Applicant notified after the end of the reporting period

On 15 June 2000XX, Department M received an application for a Type B grant. After the end of the reporting period (30 June 2000XX) a committee approved payment of the grant and the committee’s decision to pay the grant was communicated to the applicant.

~~**Present obligation as a result of a past obligating event**~~ – ~~There has been no obligating event and so there is no obligation. No unconditional obligation exists. Public Sector Entity XYZ has not communicated the committee’s decision at 30 June 20XX and therefore does not have a duty or responsibility to perform in a particular way at this date.~~

~~**Conclusion**~~ – ~~No provision liability is recognised (see paragraphs 14 9 and 12).~~

#### Question 4

Do Board members agree that the marked-up revised New Zealand illustrative examples should be added as PBE/NFP-specific modifications within (or accompanying) the Australian and New Zealand Standards that incorporate the new IFRS *Liabilities*?

### Due process for the proposed PBE/NFP-specific modifications

26. If the Boards decide to add the above-mentioned Illustrative Examples (see Question 4), it would seem essential that all of the PBE/NFP-specific amendments be exposed for public comment. (The FRSB is required to issue a New Zealand Standard that incorporates an IFRS, including any PBE/NFP-specific modifications, within six weeks of the IFRS being issued. Therefore, it would seem necessary to invite comment on proposed modifications to the Working Draft IFRS *Liabilities*, rather than wait until the final IFRS is issued and propose modifications to that.)

However, if the Boards decide not to include those Illustrative Examples, an issue arises whether the above-mentioned scope exclusion would need to be exposed for public comment by the AASB.

27. It would not be intended that replacing paragraphs Aus26.1 and Aus26.2 of AASB 137 with the scope exclusion should result in any significant change in current practice. Therefore, arguably, it would be unnecessary to expose the proposed PBE/NFP-specific modifications before issuing an Australian Accounting Standard incorporating the new IFRS *Liabilities*. However, the following aspects would warrant consideration in deciding this issue:
- (a) the FRSB staff expects that the FRSB will expose the PBE/NFP-specific modifications for public comment. In the FRSB's Request for Comment on the IASB ED *Measurement of Liabilities in IAS 37*, the FRSB publicly committed to consider any PBE/NFP issues and therefore the FRSB considers itself obligated to expose the proposed PBE/NFP-specific modifications; and
  - (b) notwithstanding the staff's expectation that the changed wording for the existing PBE/NFP-specific modification in AASB 137 would not be a substantive change, the risk arises that the changed wording would be interpreted differently.

**Question 5**

Do Board members agree that the PBE/NFP-specific amendments should be exposed for public comment? Would your answer differ if you decided not to add the Illustrative Examples?

## APPENDIX A

### Text of paragraphs Aus26.1 and Aus26.2 of AASB 137

#### **Obligations arising from local government or government existing public policies, budget policies, election promises or statements of intent**

- Aus26.1 This paragraph and paragraph Aus26.2 relate to the recognition by a local government, government department or government of a liability arising from a local government or government existing public policy, budget policy, election promise or statement of intent. The intention to make payments to other parties, whether advised in the form of a local government or government budget policy, election promise or statement of intent, does not of itself create a present obligation which is binding. A liability would be recognised only when the entity is committed in the sense that it has little or no discretion to avoid the sacrifice of future economic benefits. For example, a government does not have a present obligation to sacrifice future economic benefits for social welfare payments that might arise in future reporting periods. A present obligation for social welfare payments arises only when entitlement conditions are satisfied for payment during a particular payment period. Similarly, a government does not have a present obligation to sacrifice future economic benefits under multi-year public policy agreements until the grantee meets conditions such as grant eligibility criteria, or has provided the services or facilities required under the grant agreement. In such cases, only amounts outstanding in relation to current or previous periods satisfy the definition of liabilities.
- Aus26.2 Some such transactions or events may give rise to legal, social, political or economic consequences which leave little, if any, discretion to avoid a sacrifice of future economic benefits. In such circumstances, the definition of a liability is satisfied. An example of such an event is the occurrence of a disaster, where a government has a clear and formal policy to provide financial aid to victims of such disasters. In this circumstance, the government has little discretion to avoid the sacrifice of future economic benefits. However, the liability is recognised only when the amount of financial aid to be provided can be measured reliably.

## APPENDIX B

### Extract from IPSAS 19 *Provisions, Contingent Liabilities and Contingent Assets*

“An entity which prepares and presents financial statements under the accrual basis of accounting should apply this Standard in accounting for provisions, contingent liabilities and contingent assets, except: (a) those provisions and contingent liabilities arising from social benefits provided by an entity for which it does not receive consideration that is approximately equal to the value of goods and services provided, directly in return from the recipients of those benefits;” (paragraph 1).

“For the purposes of this Standard ‘social benefits’ refer to goods, services and other benefits provided in the pursuit of the social policy objectives of a government. These benefits may include:

- (a) The delivery of health, education, housing, transport and other social services to the community. In many cases, there is no requirement for the beneficiaries of these services to pay an amount equivalent to the value of these services; and
- (b) Payment of benefits to families, the aged, the disabled, the unemployed, veterans and others. That is, governments at all levels may provide financial assistance to individuals and groups in the community to access services to meet their particular needs, or to supplement their income.” (paragraph 7)

“In many cases, obligations to provide social benefits arise as a consequence of a government’s commitment to undertake particular activities on an ongoing basis over the long term in order to provide particular goods and services to the community. The need for, and nature and supply of, goods and services to meet social policy obligations will often depend on a range of demographic and social conditions and are difficult to predict. These benefits generally fall within the social protection, education and health classifications under the International Monetary Fund’s Government Finance Statistics framework and often require an actuarial assessment to determine the amount of any liability arising in respect of them.” (paragraph 8)

“For a provision or contingency arising from a social benefit to be excluded from the scope of this Standard, the public sector entity providing the benefit will not receive consideration that is approximately equal to the value of goods and services provided, directly in return from the recipients of the benefit. This exclusion would encompass those circumstances where a charge is levied in respect of the benefit but there is no direct relationship between the charge and the benefit received. *The exclusion of these provisions and contingent liabilities from the scope of this Standard reflects the Committee’s view that both the determination of what constitutes the obligating event and the measurement of the liability require further consideration before proposed Standards are exposed.* For example, the Committee is aware that there are differing views about whether the obligating event occurs when the individual meets the eligibility criteria for the benefit or at some earlier stage. Similarly, there are differing views about whether the amount of any obligation reflects an estimate of the current period’s entitlement or the present value of all expected future benefits determined on an actuarial basis.” (paragraph 9, emphasis added)

“Where an entity elects to recognize a provision for such obligations, the entity discloses the basis on which the provisions have been recognized and the measurement basis adopted. The entity also makes other disclosures required by this Standard in respect of those provisions. IPSAS 1, ‘Presentation of Financial Statements’, provides guidance on dealing with matters not specifically dealt with by another IPSAS. IPSAS 1 also includes requirements relating to the selection and disclosure of accounting policies.” (paragraph 10)

“In some cases, social benefits may give rise to a liability for which there is:

- (a) Little or no uncertainty as to amount; and
- (b) The timing of the obligation is not uncertain.

Accordingly, these are not likely to meet the definition of a provision in this Standard. Where such liabilities for social benefits exist, they are recognized where they satisfy the criteria for recognition as liabilities (refer also to paragraph 19). An example would be a period-end accrual for an amount owing to the existing beneficiaries in respect of aged or disability pensions that have been approved for payment consistent with the provisions of a contract or legislation.” (paragraph 11)