

* AS-29 covers only provision related to liability.
* Provisions that are an adjustment to carrying amount of an asset are not covered under AS-29.

IMP:- Provision owed to a third party. Recognise them even if identity not known.

IMP:- If a new law requires damages caused by the past actions of an entity to be rectified, provision will be recognised for such rectification in the year in which such new law will be enacted.

IMP:- If on settlement of a provision, entity will receive reimbursement for the same, reimbursement will be recognised when :-
It is **virtually certain** to be received.

- * Amount of reimbursement < Amount of provision
- * Presentation :- B/s :- Reimbursement : Separate Asset.
Provision : Separate Liability.
P/L : Net amount (Prov Exp- Reimb. Income) will be presented.

IMP:- Provision for decommissioning / dismantling will be recognised at its PV.

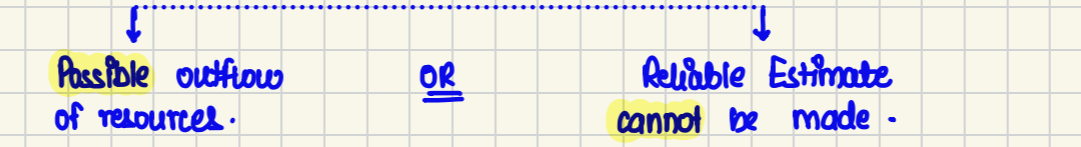
CONTINGENT LIABILITY

* Relate it to the three conditions of recognition of provision.

CASE I :- Possible obligation (condition 1 of recognition not satisfied)

No need to look at cond. 2 or 3.

CASE II :- Present obligation (condition 1 satisfied)



Possible: chances < 50%.

Contingent liability will be disclosed in the Notes to Accounts in financial statements.

If chance of outflow < 10%. i.e. Remote, no need for disclosure.

CONTINGENT LIABILITY :-

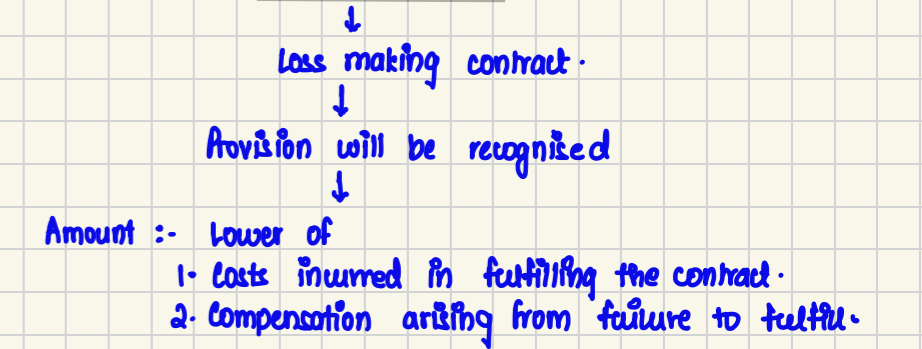
Possible obligation, existence of which is confirmed by happening or non-happening of uncertain future event not wholly within the control of the entity.

CONTINGENT ASSET

→ Possible Asset, existence of which is confirmed by happening or non-happening of uncertain future event not wholly within the control of the entity.

Neither recognised nor disclosed in financial statements.
(BOD) Governing Body's Report → Disclose.

ONEROUS CONTRACT



RESTRUCTURING & ITS PROVISION

Restructuring :- Planned & Controlled activity of management that changes :-

1. Scope of business.
2. Nature of conducting business.

Provision will be recognised for restructuring and will include only the costs directly associated with restructuring.