

Provision, Contingent Liabilities & Contingent Assets (AS-29)

Provision

Recognition

- * Present obligation from past events
- * Expected outflow of resources
- * Reliable estimate can be made

Contingent Liability

- * Possible obligation
- OR
- * Present obligation but not recognised b'coz
 - Outflow not probable
 - OR
 - Reliable estimate cannot be made

Recognition: No

Disclosure: Yes

Exception: Remote possibility

Contingent Asset

Possible asset from past events, existence confirmed only by future events.

Disclosure:

Not in financial statements
Disclosure in Director's Report

Reimbursement

Recognise: When virtually certain

- * Separate asset in B/s
- * Provision net of Reimbursement in P&L A/c

Restructuring

Programme that is planned & controlled by management & materially changes either:

- * scope of business
- * manner in which business conducted

Make provision if recognition criteria met

Onerous Contract

Unavoidable costs of meeting obligation under contract exceed economic benefits

Provision: Lower of

- * Cost of fulfilling contract
- * Penalty from failure to fulfill it