AS 29 : Provisions, Contingent Liabilities and contingent Assets.

Should be applied in accounting for Prov, Cont liab, Cont Asset **except:**

× (i) Those resulting from financial Instruments that are carried @ FV

× (ii) Those " " Executory contracts.

× (iii) Those arising in Ins. entp. from contracts with policy Holder's

× (iv) Those covered by another AS (AS 7, AS 9, AS 15, AS 19)

Provision is a

Liability

④ which can be measured using a substantial degree of estimation.

① A present Obligation — arising from — ② Past Events — resulting in — ③ Future outflow of Economic resources which is certain

Obligation based on Evidence shows that it is probable i.e. more likely than not.

Event which gives present Obligation

If all the ④ conditions are met then only create provision.

Special points :

1. Amendement : Provision should be Discounted. (ie. apply PV factor).
2. It should be recorded as before Tax i.e; Gross but not Net
3. Effect of Risk & uncertainity should be considered in measurement of provision (Eg: if only 70% risk, the create prov. for ~~100%~~ 70% only)
4. If there is any Reimbursement right, then it shall not be Deducted against provision.
5. It should appear as a seperate item in Liabilities side of B/S.

Contingent Liability

* A possible obligation that arises from past events and existence of which will be confirmed only by the occurence (or) non-occurence of one (or) more uncertain future events not wholly within the control of the enterprise.

* It is not recognised because:
  i) It is not probable that an outflow of resources.
  ii) A reliable estimate of the obligation cannot be made.

* Entp. should not Recognise CL but, Disclosed by way of FOOTNOTE in B/S.

Contingent Asset

* A possible Asset ------

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* It should not be Recognised
* It should not be Disclosed
* Generally disclosed in "Director's Report".

Disclosure Requirements:

For each class prov: at the B/s date

a) A brief Description of the Nature of the obligation and the expected timing of any resulting outflows of Economic benefits.
b) carrying amount at the beginning and end of the period.
c) Addl. prov made in the period, including increase to existing prov.
d) Amount used (i.e., incurred & charged against the prov) during period
e) Unused amounts reversed during the period

For each class of Contingent Liability at the B/s date

For each class of Nature of CL, and wherever practicable:

a) Brief description of Nature of CL, and it's Financial effect.
   i) An estimate of the uncertainties relating to any outflow
   ii) An Indication of the uncertainties relating to any outflow
   iii) The possibility of any reimbursement,

For each class of Contingent Asset
↓
NO Disclosure.