AS-29

Provisions Contingent liabilities and contingent Assets

Kiran Jr. — Ind AS-37

PLM SDC → **Provision**:- It is a $\boxed{\text{liability}}$ which can be measured only by using a substantial degree of estimation

LPO • **Liability**:- It is $\boxed{\text{present obligation}}$ of the enterprise arising from past events and the settlement of which is expected to result in an outflow from the enterprise of resources embodying economic benefits.

• **Present obligation**:- Based on evidence available, its existence on the balance sheet date is considered probable i.e more likely than not.

Disclosure in P&L

→ **Onerous contract**:- It is a contract in which the unavoidable cost of meeting the obligation under the contract exceed the economic benefits expected to be received under it.

→ **Contingent liability**:-

• possible obligation as a result of past event

• Existence of which can be confirmed only by the occurence or non-occurence of future event

• future event not wholly within the control of enterprise

→ Existence of possible obligation

- Contingent Liability → Not probable
- Provision → Probable

Disclosed in financial statement

Kiran Jr.

→ Contingent Assest :- ↳ Not disclosed only disclosed in Board report
↳ If virtually certain to arise → recognised

- Possible Assest as a result of past events
- Existence of contingent assests is to be confirmed by occurence and non-occurence of one or more future events
- future events not wholly within the control of enterprise.

→ Contingent liability – further more detailed

- There should be present obligation arising out of past event but not recognised as provision.
- It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation

* • The possibility of an outflow of resources embodying economic benefits is not remote.

- The amount of obligation cannot be measured with the sufficient reliability to be recognised as provision.

⇒ Provision calculated using time value of money (in some cases)

Ex:- An entity has to pay decommissing charges of ₹100 Lakhs after 10 years. Discount rate 8%. (Pass Journal entries)

01.01.2018	plant a/c Dr	4631935	
	To provision		4631935
31.12.2018	Interest (expense) a/c Dr	370555	
	To provision a/c		370555
31.12.2019	Interest exp a/c Dr	400199	
	To provision a/c		400199