AS-29 Provisions, Contingent Liabilities and Contingent Assets

To Prescribe Accounting for

- (A) Provisions
- (B) Contingent Liabilities
- (C) Contingent Assets
- (D) Provision for Restructuring Cost

Provision is a liability, which can be measured only by using a substantial degree of estimation. →

Liability is present obligation of the enterprise arising from past events the settlement of which is expected to result in an out flow from the enterprise. →

Present Obligation is based on evidence available, stands on balance sheet date is considered probable, that is more likely than not.

Provision should be recognized when:

- An Enterprise has a present obligation as a result of past event.
- It is probable that an outflow of resources embodying economic benefits to settle the obligation.
- Reliable estimate can be made of the amount of the obligation.

If these conditions are not met no provision should be recognized

(B) Contingent Liabilities

- Possible obligation as a result of past events.
- Which will be confirmed only by the occurrence or non-occurrence of future events.
- Future event not wholly within the control of the Enterprise.

Disclosure as Foot Note to B/S

(D) Provision for Restructuring Cost

✓This AS does not prescribed the accounting of reconstructing cost.

✓It only prescribes the recognition and Measurement criteria for provision for reconstructing cost.

As per AS Restructuring is a program that is planned and controlled by management and material changes either:

- The scope of a business undertaken or
- The manner In which the business is conducted.

Examples of Restructuring:

- Sale or termination of line of business.
- The closure of Business locations in country or region.
- Relocation of business activities from one country region to another.
- Change in management structure.
- Fundamental reorganization that has material effect on the nature and focus of the Enterprises operations.

Restructuring does not include:

- Retaining are real locating continuing staff.
- Marketing.
- Investments in new system and distribution networks.

(C) Contingent Assets

- Possible Asset as a result of past events .
- Which will be confirmed only by the occurrence or non-occurrence of future events.
- Future event not wholly within the control of the Enterprise.

✓It shall not be Recognized.

✓Disclosed in Directors Report or Board Report.