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19 May 2010

International Accounting Standards Board
1st Floor 30 Cannon Street
London EC4M 6XH
United Kingdom

(By email: CommentLetters@iasb.org)

Dear Sirs,

**RESPONSE TO EXPOSURE DRAFT – MEASUREMENT OF LIABILITIES IN IAS 37
(PROPOSED AMENDMENTS TO IAS 37)**

The Institute of Certified Public Accountants of Singapore (ICPAS) appreciates the opportunity to comment on the above exposure draft issued by the International Accounting Standards Board (IASB) in January 2010.

General comments

Notwithstanding that the IASB has decided not to request for comments on matters which are not addressed in this exposure draft, ICPAS believes that any discussion on the measurement of liabilities is incomplete without discussing the rest of the proposed new standard, especially the aspect on recognition criterion. We are of the view that the IASB should have re-exposed the entire revised IAS 37 for comments.

We also think that there should be more guidance relating to the inclusion of a risk adjustment as required under B15 to B17 of the ED. In particular, we would like to see guidance on the circumstances which require a risk adjustment, the factors to be considered when assessing the appropriateness of the method (in B16) to apply and how such a risk adjustment should be determined.

Our comments on the specific questions in the Exposure draft are as follows:

Question 1 – Overall requirements

The proposed measurement requirements are set out in paragraphs 36A–36F. Paragraphs BC2–BC11 of the Basis for Conclusions explain the Board’s reasons for these proposals.

Do you support the requirements proposed in paragraphs 36A–36F? If not, with which paragraphs do you disagree, and why?

We agree with the proposal in paragraphs 36A-36F.

Question 2 – Obligations fulfilled by undertaking a service

Some obligations within the scope of IAS 37 will be fulfilled by undertaking a service at a future date. Paragraph B8 of Appendix B specifies how entities should measure the future outflows required to fulfil such obligations. It proposes that the relevant outflows are the amounts that the entity would rationally pay a contractor at the future date to undertake the service on its behalf. Paragraphs BC19–BC22 of the Basis for Conclusions explain the Board’s rationale for this proposal.

Do you support the proposal in paragraph B8? If not, why not?

We disagree with the proposal in paragraph B8. Instead, we are in favour of measuring the future outflows at the expected costs of undertaking the service. Our reasons for the disagreement are that the proposed treatment would result in various issues as enunciated in paragraph 20 of the Basis of Conclusions of the ED. For instance, the amount that a contractor would charge would include a profit margin. This is inconsistent with how other standards deal with similar situations.

Also, in the absence of a market by which an entity can transfer its obligations to a third party, Paragraph B8(b) requires an entity to estimate an amount that it would charge another party at a future date to undertake the service. Paragraph B8(b) should be aligned with paragraph 36C. The absence of a market may be evidence that an entity could not cancel or transfer an obligation and the rationale for assuming a hypothetical market scenario may therefore be inappropriate.

Question 3 – Exception for onerous sales and insurance contracts

Paragraph B9 of Appendix B proposes a limited exception for onerous contracts arising from transactions within the scope of IAS 18 *Revenue* or IFRS 4 *Insurance Contracts*. The relevant future outflows would be the costs the entity expects to incur to fulfil its contractual obligations, rather than the amounts the entity would pay a contractor to fulfil them on its behalf. Paragraphs BC23–BC27 of the Basis for Conclusions explain the reason for this exception.

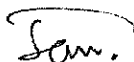
Do you support the exception? If not, what would you propose instead and why?

We agree with the proposals.

Should you require any further clarification, please feel free to contact Mr Ramchand Jagtiani, Deputy Director, or Mr Andrew Chua, Technical Manager, at the Institute of Certified Public Accountants of Singapore via email at jagtiani@icpas.org.sg or andrew.chua@icpas.org.sg respectively.

Thank you.

Yours faithfully,



Janet Tan
Executive Director

Established in 1963, the ICPAS is Singapore’s national accountancy body that develops, supports and enhances the integrity, status and interests of the profession. Today, ICPAS has over 21,000 members.