



19 March 2010

Our ref: ICAEW Rep 32/10

Mr Stig Enevoldsen  
Chairman  
European Financial Reporting Advisory Group  
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By email: [commentletter@efrag.org](mailto:commentletter@efrag.org)

Dear Stig

**IASB ED *Measurement of Liabilities in IAS 37 (limited re-exposure of proposed amendments to IAS 37)***

The ICAEW welcomes the opportunity to comment on EFRAG's draft comment letter to the IASB on its ED, *Measurement of Liabilities in IAS 37 (limited re-exposure of proposed amendments to IAS 37)*, published in January 2010.

The ICAEW operates under a Royal Charter, working in the public interest. Its regulation of its members, in particular its responsibilities in respect of auditors, is overseen by the Financial Reporting Council. As a world leading professional accountancy body, we provide leadership and practical support to over 134,000 members in more than 160 countries, working with governments, regulators and industry in order to ensure the highest standards are maintained. We are a founding member of the Global Accounting Alliance with over 775,000 members worldwide.

We generally support EFRAG's draft submission to the IASB. In particular, we agree with EFRAG's concerns about due process for these proposals, the definition of a liability, and the appropriateness of the probability-weighted expected value approach to measurement.

We note below two further comments on the draft submission:

- The probability example at paragraph 33 of the draft (99% probability to pay 1,000 and 1% probability to pay 100,000) is not very realistic. It almost amounts to a position in which there is a 99% probability that there will be no outflow of resources, in which case most people would conclude that there is no liability. It would be better to have, say, a 60/40 split – where it is impossible to say with confidence whether an outflow of resources is probable.
- Paragraph 38 of the draft suggests that 'External advisers may ... be reluctant to indicate precise probabilities'. In our experience, external advisers – like everybody else – do not know what the precise probabilities are. It is not really a problem of reluctance to indicate them.

EFRAG's staff have also produced some additional comments on the IASB's working draft of a new standard. EFRAG has not invited comments on these and we do not know whether it intends

to incorporate them into its representations to the IASB. In case it does, we have the following points:

- We suggest that the list of sources of uncertainty as to the existence of an obligation (paragraph 16(c) of the staff comments) could usefully be expanded to refer to local customs and conventions as well as laws and regulations.
- We broadly agree with the staff comments on stand-ready obligations (paragraphs 27-30). We do not see that the existing material on such obligations in the IASB's working draft serves any useful purpose. However, if it is intended to cover guarantees, it could be useful, but should be redrafted to deal explicitly with guarantees rather than stand-ready obligations.

We hope to be able to send you a near-final draft of our own response to the IASB shortly, and will in any case send you our actual submission in due course.

Please contact me should you wish to discuss any of the points raised in this response.

Yours sincerely

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