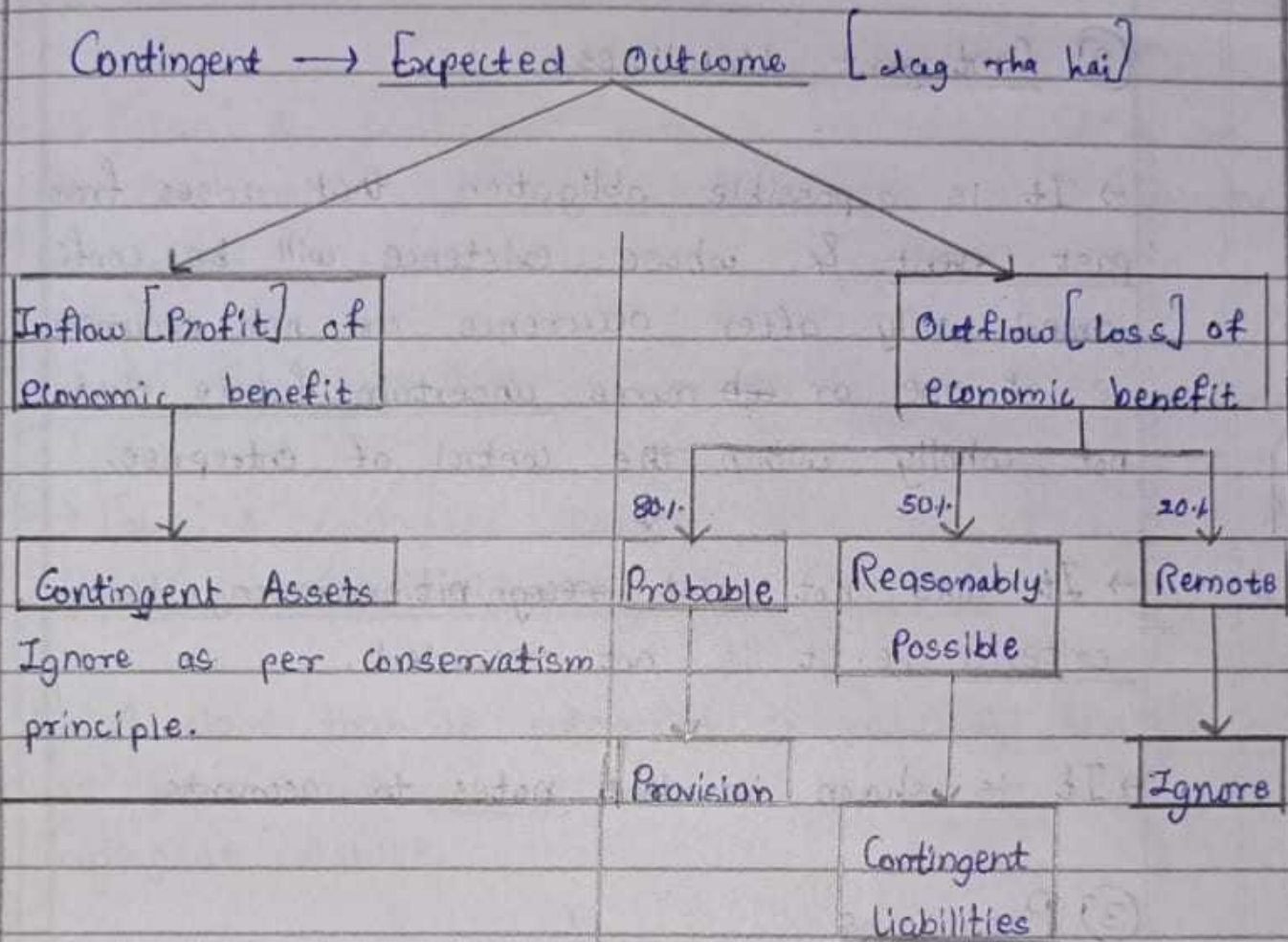


# Chp-1. Theoretical Framework

## Unit 4: Contingent Assets & Contingent Liabilities



### ① Contingent Assets

→ It is a possible asset that arises from past event and whose existence will be confirmed only after occurrence <sup>or non occurrence</sup> of one or more uncertain future events not wholly within the control of enterprise.

→ As per the concept of prudence [or conservatism], contingent assets should not be disclosed.

→ If it becomes virtually certain then recognise it in the books of accounts.

→ Generally, contingent assets are disclosed in Report of Board of Directors.

## ② Contingent Liabilities

→ It is a possible obligation that arises from past event & whose existence will be confirmed only after occurrence or non-occurrence of one or ~~two~~ more uncertain future events not wholly within the control of enterprise.

→ It does not meet ~~recognition~~ recognition criteria i.e. it is not recorded.

→ It is shown in the notes to accounts

## ③ Provisions

→ It is a present obligation of uncertain amount which can be measured reliably by using substantial degree of estimation.

→ It meets the recognition criteria i.e. it is recorded.