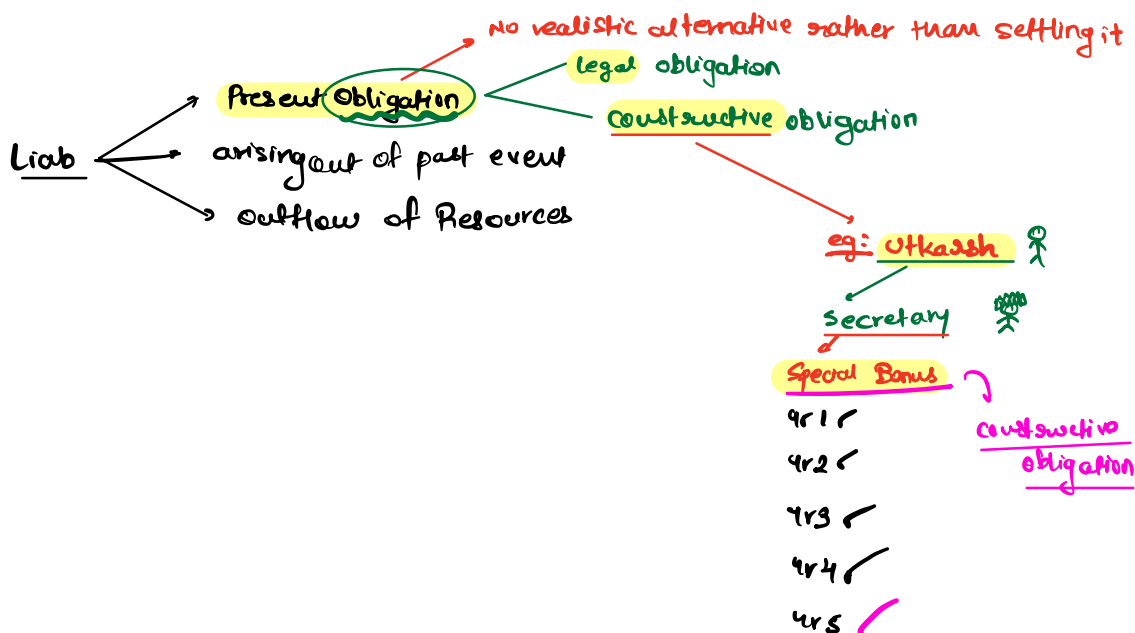
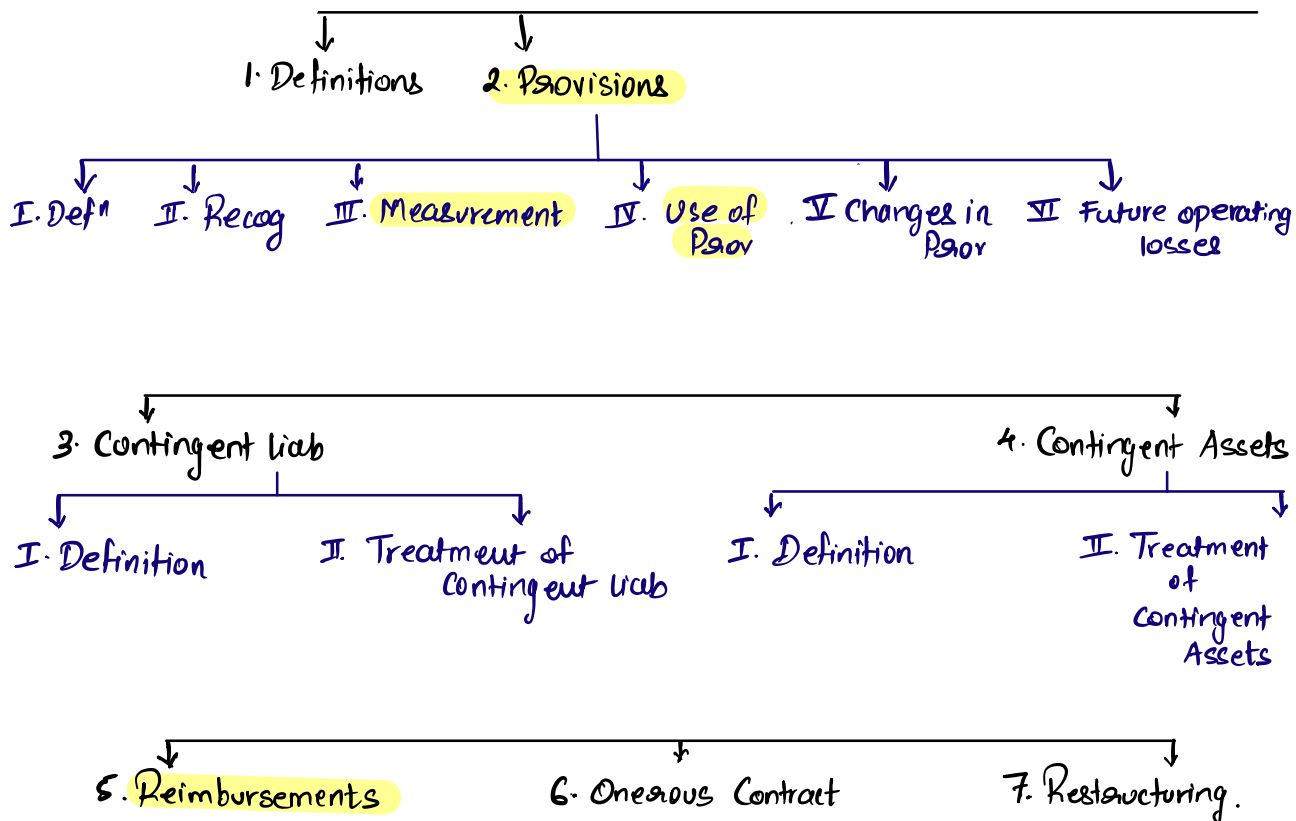


## IND AS 37 - Prov, Cont. Liab & Cont. Assets



eg: Measurement of Prov

Best Estimate

① Large Population of items (use Probability)

Sale 1000 units

↳ Prob. of warranty claims

10% Prob → 500 units = 50 units

50% Prob → 100 units = 50 units

40% Prob → 50 units = 20 units → 140 units × 500 = Prov. £70000

Amt Exp on each claim = £500 approx

J-E.

Warranty Exp Mc DS 60k

TO warranty prov 60k.

---

Eg. Restructuring

CA Offline Teaching → Online Teaching

Exp

① 10 Employees layoff → 2 month salary

② 2 yrs Rent → Rent agreement non-cancellable

↓  
Incurr compulsory.

③ Other Relevant Exp for closing the Busn.

↓  
Prov?

YES, only when there is a constructive obligation.

1. Invest in New Technology

2. Train to Employees

3. market

4. other Relevant cost in New Busn.

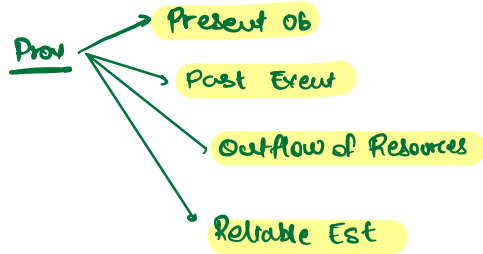
↓

**No Prov**

↓  
As this relates to

future conduct of Busn.

## \* Cont Liab

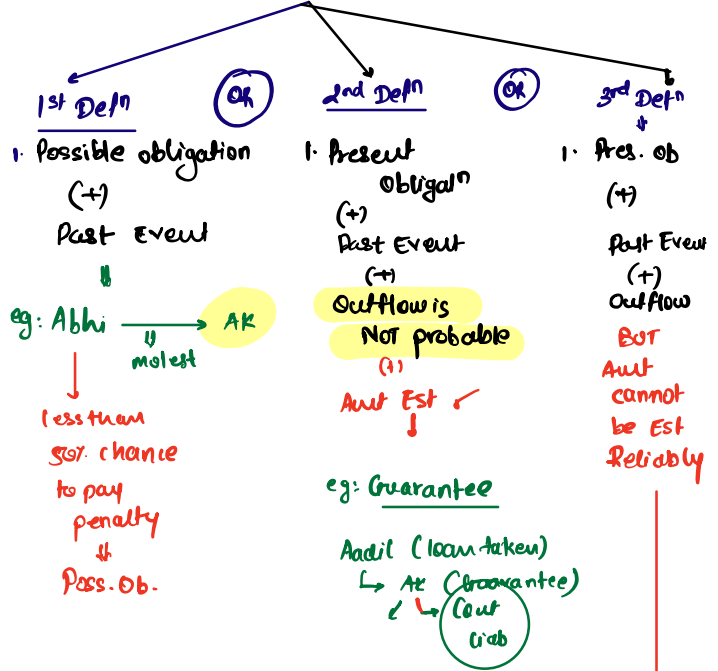


Present ob → more likely than Not  
(more than 50% chance)

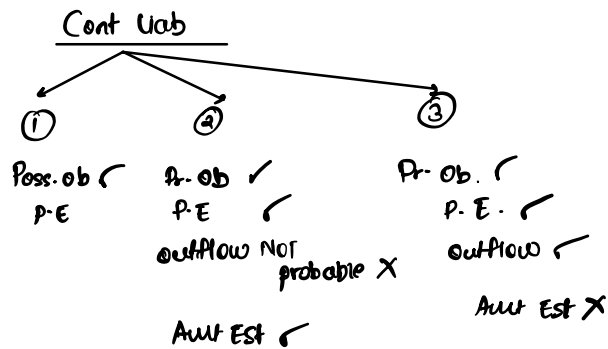
Possible ob → less likely than Not  
(less than 50% chance).

<u>Liab</u>	<u>Prov</u>
• Pr. ob ✓	• Pr. ob ✓
• P.E. ✓	• P.E. ✓
• outflow ✓	• outflow ✓
	• Amt Est ✓

## Contingent Liab



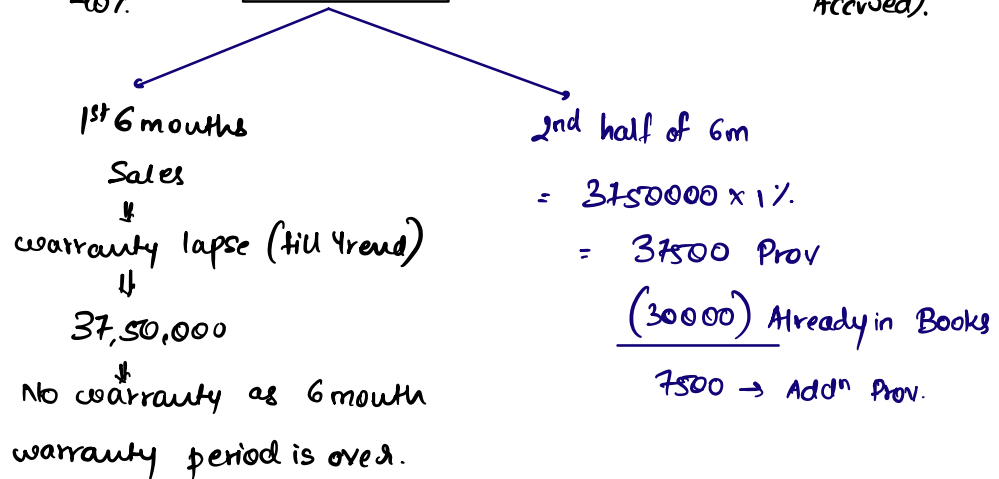
Cont code  
↓  
Sakha lost  
↓  
Penalty Amt not known.



Q6 (LOR) Warranty Prov = 30,000 (1% of gross margin)

$$\text{Gross Profit} = \frac{30000}{1\%} = 30,00,000$$

$$\text{Sales} = \frac{30,00,000}{40\%} = 75,00,000 \rightarrow \text{full year sales (Evenly Accrued)}$$



Note: Because Co. is returning sales value on warranty claim ∴ Prov should also be on sales value & Not G.P.

Case 2: Warranty Period - 2yr. → Warranty Prov created on full 4r Sales.

$$\text{Sales (full 4r)} = 75,00,000$$

$$\text{Warranty Prov (1\%)} = 75,000$$

$$\text{Already in Books } (30,000)$$

$$\text{Add<sup>n</sup> Prov } 45,000$$