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# IASB proposes clarifications for companies assessing whether contracts will be loss-making

The International Accounting Standards Board (Board) has today published for public comment proposed amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* to specify which costs a company should include when assessing whether a contract will be loss-making.

The proposed amendments originate from a request to the IFRS Interpretations Committee for clarification of which costs to include in this assessment.

A company determines that a contract will be loss-making—and describes it as onerous—if the costs the company expects to incur to fulfil the contract are higher than the economic benefits it expects to receive from it.

The Board has proposed to amend IAS 37 to specify that the costs of fulfilling a contract include both incremental costs, such as the costs of materials, and an allocation of other costs directly related to the contract, such as the depreciation charge for equipment the company uses to fulfil contracts.

The amendments will provide greater clarity to companies and help ensure the Standard is applied consistently. The changes are most relevant for companies in the manufacturing, construction and services sectors, and may result in some companies recognising costs earlier than previously.

The deadline for commenting on the proposals is 15 April 2019.

The proposed changes are published in Exposure Draft *Onerous Contracts—Cost of Fulfilling a Contract*. Board member Chungwoo Suh has summarised the proposed changes and the reasons for them in a short document: *In Brief—Onerous Contracts*.

Submit your comment letter and access the Exposure Draft [here](#).

