



International Accounting Standards Board®

Press Release

FOR IMMEDIATE RELEASE

25 November 2004

IFRIC publishes proposed guidance on waste management liabilities

The International Financial Reporting Interpretations Committee (IFRIC)* today released for public comment a draft Interpretation D10 *Liabilities arising from Participating in a Specific Market—Waste Electrical and Electronic Equipment* giving guidance on the accounting for liabilities for waste management costs.

D10 clarifies when certain producers of electrical goods will need to recognise a liability for the cost of waste management relating to the decommissioning of waste electrical and electronic equipment (historical waste) supplied to private households. The IFRIC concluded that the event giving rise to the liability for costs of such historical waste, and so its recognition, is participation in the market in a measurement period, ie a period in which market shares are determined for the purposes of allocating waste management costs. The IFRIC did not agree that production of the equipment was the triggering event for liability recognition.

The proposals are open for public comment until 11 February 2005.

Introducing D10, Kevin Stevenson, the Chairman of the IFRIC, commented:

D10 is significant both for its content and because the German Accounting Standards Board assisted the IFRIC in drafting it—a model for future co-operative work between the IFRIC and national standard-setters. D10 clarifies when a liability arises for the cost of waste management relating to historical waste for private households. This is a situation that will affect many European manufacturers and is the result of the European

* The IFRIC is the interpretative arm of the International Accounting Standards Board (IASB).

Union's Directive on waste electrical and electronic equipment. However, the European model for handling the costs of such waste could well be replicated elsewhere.

Subscribers to the IASB's Comprehensive Subscription Service can view the draft Interpretation from the secure online services area of the IASB's Website (www.iasb.org). From 26 November 2004 the complete text of the draft Interpretation will be freely available from the Website.

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NOTES TO EDITORS

About the draft Interpretation

- 1 The IFRIC was asked for guidance on how IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* should be applied to waste management costs. The European Union's Directive on Waste Electrical and Electronic Equipment has given rise to questions about when the liability for the decommissioning of such waste for certain electrical goods manufacturers should be recognised.
- 2 The Directive prescribes that the cost of waste management for equipment that has been sold to private households before 13 August 2005 ('historical household equipment') will fall to producers of that type of equipment who are in the market in the period specified in the applicable legislation (the measurement period). They have to contribute to costs

proportionately 'e.g. in proportion to their respective share of the market by type of equipment.'

- 3 The issue that the IFRIC addressed was: if an entity has an obligation to contribute to waste management costs based on its share of the market in a measurement period, when does a liability arise in accordance with paragraph 14(a) of IAS 37?
- Did it arise with the manufacture or sale of the historical household equipment?
 - Does it arise when the waste management costs are incurred?
 - Does it arise as a result of participation in the market in the measurement period?

About the IFRIC

The IFRIC first met in February 2002. It comprises 12 voting members (all part-time) drawn from a variety of countries and professional backgrounds, and it meets about nine times a year under a non-voting chairman. The IFRIC's principal role is to consider, on a timely basis within the context of International Financial Reporting Standards and the IASB *Framework*, accounting issues that are likely to receive divergent or unacceptable treatment in the absence of authoritative guidance, with a view to reaching consensus on the appropriate accounting treatment. In developing Interpretations, the IFRIC works closely with similar national interpretation committees.

About the IASB

The IASB, based in London, began operations in 2001. It is funded by contributions collected by its Trustees, the IASC Foundation, from the major accounting firms, private financial institutions and industrial companies throughout the world, central and development banks, and other international and professional organisations. The 14 IASB members (12 of whom are full-time) are drawn from nine countries and have a variety of professional backgrounds. The IASB is committed to developing, in the public interest, a single set of high quality, global accounting standards that require transparent and comparable information in general purpose financial statements. In pursuit of this objective, the IASB co-operates with national accounting standard-setters to achieve convergence in accounting standards around the world.

A Deloitte & Touche study indicates that 92 countries will either require or permit the use of IFRSs for publicly traded companies beginning in 2005. The 92 countries include Australia, the member states of the European Union, and Russia. At present, some 35 countries require the use of international standards for all domestic listed companies, six other countries require the use of international standards for some companies, and many countries base their national practices on international standards. In September 2002 the IASB and the US standard-setter, the Financial Accounting Standards Board, reached an agreement to work towards the convergence of existing US and international practices and the joint development

of future standards. Recently, the IASB and the Accounting Standards Board of Japan agreed to initiate discussions to eliminate differences between IFRSs and Japanese standards

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