

standards in the Republic of Belarus». Available at: <http://laws.newsby.org/documents/sovetsm/pos15/sovmin15941.htm>.

JEL Classifications: M41

**COMPARISON OF PROVISIONS
AND CONTINGENCIES ACCOUNTING
AND REPORTING UNDER IFRS, US GAAP
AND BELARUS GAAP**

*A. Buhayeu, professor of the Department of Economics
Vitebsk State Technological University, Belarus*

Key words: accounting, reporting, provisions, contingencies, IFRS, US GAAP, Belarus GAAP.

Abstract. In this paper we will discuss where the accounting of provisions and contingencies under IFRS, US GAAP and Belarus GAAP are similar and where differences exist. We want to underline the fact that the three sets of standards are generally more alike than different for commonly encountered provisions and contingencies transactions. This is connected with such fact that IFRS being largely, but not entirely, grounded in the same basic principles as US GAAP, and Belarus GAAP began to be largely grounded in the same basic principles as IFRS.

Regulation on accounting *Provisions, Contingent Liabilities and Contingent Assets*, approved by the Ministry of Finance of the Republic of Belarus of 28.12.2005 No.168 is the regulation for recognition and measurement criteria of provisions and contingencies that are rather similar to those in IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. The definition of probability in Regulation on accounting *Provisions, Contingent Liabilities and Contingent Assets* as well as the requirement of recognition of a loss based on the probability of occurrence are similar to those in IFRS.

Regulation on accounting *Provisions, Contingent Liabilities and Contingent Assets* prohibits the recognition of provisions for costs connected with operating activities in future and requires disclosures about a contingent liability the occurrence of which is more than remote. But it does not answer the recognition criteria that are close to those in US GAAP and IFRS. No significant development activities are planned in this area for the near term.

Under US GAAP and IFRS the general recognition criteria for provisions are very close. IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, provides the overall approach for recognition and measurement criteria of provisions and contingencies. Under US GAAP, ASC 450, *Contingencies*, and a number of other standards deal with specific types of provisions and contingencies (e.g., ASC 410, *Asset Retirement and Environmental Obligations*; ASC 420, *Exit or Disposal Cost Obligations*). Besides, the approach in two Concept Statements in US GAAP (CON

5, *Recognition and Measurement in Financial Statements of Business Enterprises*, and CON 6, *Elements of Financial Statements*) is similar to the specific recognition criteria provided in IAS 37. US GAAP and IFRS require recognition of a loss based on the probability of occurrence, at the same time the definition of probability is different under US GAAP and IFRS. US GAAP and IFRS prohibit the recognition of provisions for costs associated with future operating activities. After all, both US GAAP and IFRS insist on disclosures about a contingent liability whose occurrence is more than remote but does not meet the recognition criteria.

Table 1 – Significant differences in accounting of provisions and contingences

	Belarus GAAP	US GAAP	IFRS
Recognition threshold	In general, similar to IFRS.	A loss must be "probable" to be recognized.	A loss must be "probable" to be recognized.
Discounting provisions	In general, similar to IFRS.	Provisions may be discounted in case when the amount of the liability and the timing of the payments are fixed or reliably determinable, or when the obligation is a fair value obligation (e.g., an asset retirement obligation under ASC 410-20). The discount rate to be used is dependent upon the nature of the provision, and may vary from that used under IFRS. However, when a provision is measured at fair value, the time value of money and the risks specific to the liability should be considered.	Provisions should be recorded at the estimated amount to settle or transfer the obligation taking into consideration the time value of money. The discount rate to be used should be "a pre-tax rate (or rates) that reflect(s) current market assessments of the time value of money and the risks specific to the liability."

Table 1 – Significant differences in accounting of provisions and contingences:
Continues

Measurement of provisions – range of possible outcomes	The best estimate of an obligation should be accrued. For a large amount of items being measured, such as warranty costs, the best estimate is the typically expected value, although the mid-point in the range may also be used when any point in a continuum is as likely as another. The best estimate for a single obligation may be the most likely outcome, although other possible outcomes should still be considered.	Most likely outcome within range should be accrued. When no one outcome is more likely than the others, the minimum amount in the range of outcomes should be accrued.	Best estimate of obligation should be accrued. For a large population of items being measured, such as warranty costs, best estimate is typically expected value, although midpoint in the range may also be used when any point in a continuous range is as likely as another. Best estimate for a single obligation may be the most likely outcome, although other possible outcomes should still be considered.
Restructuring costs	Regulation <i>Provisions, Contingent Liabilities and Contingent Assets</i> prescribes the conditions when provisions for restructuring should be booked. These conditions are generally nsimilar to IFRS requirements.	Involuntary employee termination costs under a one-time benefit arrangement are recognized over future service period, or immediately if there is no future service required. Other exit costs are expensed when incurred.	Costs typically are recognized earlier than under US GAAP because IAS 37 focuses on the exit plan as a whole, rather than individual cost components of the plan.

References

1. Regulation Provisions, Contingent Liabilities and Contingent Assets, approved by the Ministry of Finance of the Republic of Belarus of 28.12.2005 No.168; <http://www.minfin.gov.by/accounting/methodology/acts/doc/caa5d7015a28f7e1.html>.

2. IAS 37 Provisions, Contingent Liabilities and Contingent Assets; <http://www.iasplus.com/en/standards/ias/ias37>.
3. ASC 450, Contingencies; <http://www.iasplus.com/en-us/standards/fasb/liabilities/asc450>.
4. ASC 410, Asset Retirement and Environmental Obligations; <http://www.iasplus.com/en-us/standards/fasb/liabilities/asc410>.
5. ASC 420, Exit or Disposal Cost Obligations; <http://www.iasplus.com/en-us/standards/fasb/liabilities/asc420>.
6. CON 5, Recognition and Measurement in Financial Statements of Business Enterprises; www.fasb.org/pdf/con5.pdf.
7. CON 6, Elements of Financial Statements; www.fasb.org/pdf/con6.pdf.

JEL Classifications: M41

COMPARISON OF FINANCIAL STATEMENT PRESENTATION UNDER IFRS, US GAAP AND BELARUS GAAP

*A. Buhayeu, professor of the Department of Economics
Vitebsk State Technological University, Belarus*

Key words: accounting, financial reporting, IFRS, US GAAP, Belarus GAAP.

Abstract. We will analyze where the standards (IFRS, US GAAP and Belarus GAAP) are similar and where differences exist. There are many similarities in IFRS, US GAAP and Belarus GAAP approaches to financial statement presentation. Most Belarus GAAP are based in large part on IFRS and in some part on US GAAP. Some IFRS, however, have no comparable Belarus standard, and some of Belarus standards that are based on IFRS have not been updated for recent changes to the comparable IFRS. Therefore, the existing accounting system in Belarus continues to differ from IFRS as well as from US GAAP.

There are many similarities in IFRS, US GAAP and Belarus GAAP approaches to financial statement presentation. Under mentioned sets of standards, the components of a complete set of financial statements include: a statement of financial position (in Belarus – balance sheet), a statement of profit and loss (i.e., income statement) and a statement of comprehensive income (either a single continuous statement or two consecutive statements; under Belarus GAAP - a single continuous statement of profit and losses), a statement of cash flows and accompanying notes to the financial statements. All three standards also require the changes in shareholders' equity to be presented. However, US GAAP allows the changes in shareholders' equity to be presented in the notes to the financial statements while IFRS and Belarus GAAP require the changes in shareholders' equity to be presented as a separate statement. Concepts of materiality and consistency employed in IFRS, US GAAP and Belarus GAAP are very close. Further, all three accounting systems require the financial