

CS2

- └ Past Event = sale of product.
- └ Present obligation = Repair/Replace
- └ Prov = based on Mgt Expectation.

As per AS-29 "Provisions, contg Liab & contg assets", if there is a present obligation out of past event whose amount is measured with substantial degree of estimate then we should prepare a provision.

In above case, the sale of good with warranty is a past event & its companies present obligation to repair/replace. But amount is not certain. So the management will make a provision based on best estimate of the cost of repair/replacement of the warranty products.

CS3

As per AS-29 "P.C.L.C.A", if there is virtual certainty of law's enactment due to which they will be suffering losses, a provision can be made accordingly.

In above case, the contamination of land for several years is a past event. The law ~~is~~ requiring cleanup is virtually certain to be enacted. ∴ The mgt should prepare a provision for the estimated cost of cleanup of contaminated land with best of its estimate.

CS&

. we require provision for 90% cost
for the removal of oil rig.

CS5.

Present obligation exist

- amount is certain → current Liab
- amount is determined using best estimate → Provision using best estimate.
- amount is uncertain or the refund is uncertain] → Contg Liab.

CS 6.

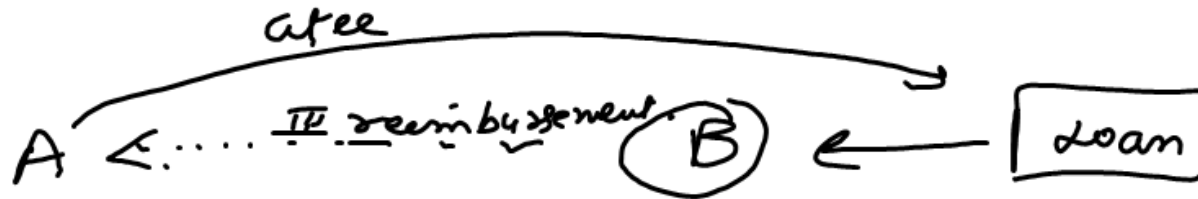
As on 31/3/05 → no obligation till now, so
no provision required

30/9/05 → filter was compulsory

31/3/06 → Law Specified to put smoke filter
which has not been fitted till now.

So a provision should be made because
of present obligation.

If law specified some penalties on
noncompliance then that provision
would ~~be~~ also be made if the fact
of noncompl. comes into light.



2005-06.

financial cond is bad
& going into liquidation.