

**EXPOSURE DRAFT ED/2018/2**  
**ONEROUS CONTRACTS—COST OF FULFILLING A CONTRACT**  
**PROPOSED AMENDMENTS TO IAS 37**

QUESTION	COMMENT(S)
<p><b>Question 1</b></p> <p>The Board proposes to specify in paragraph 68 of IAS 37 that the cost of fulfilling a contract comprises the costs that relate directly to the contract (rather than only the incremental costs of the contract). The reasons for the Board's decisions are explained in paragraphs BC16-BC28.</p> <p>Do you agree that paragraph 68 of IAS 37 should specify that the cost of fulfilling a contract comprises the costs that relate directly to the contract? If not, why not, and</p> <p>What alternative do you propose?</p>	<p>We agree that the paragraph 68 of IAS 37 should specify that the cost of fulfilling a contract comprises of costs that relate directly to the contract in addition to incremental costs.</p> <p>However, we also suggest that Paragraph 68 of IAS 37 states that the costs of fulfilling a contract include Indirect costs (such as Indirect Labour and material costs) incurred by a reporting entity that can be allocated to a specific contract using an appropriate basis.</p> <p>The allocation basis selected by a reporting entity should be applied consistently to apportion indirect costs to different contracts.</p>
<p><b>Question 2</b></p> <p>The Board proposes to add paragraphs 68A-68B which would list costs that do, and do not, relate directly to a contract. Do you have any comments on the items listed?</p> <p>Are there other examples that you think the Board should consider adding to those paragraphs? If so, please provide those examples.</p>	<p>We agree with the items listed in Paragraph 68A-68B as the costs that do or do not relate directly to the contract and also suggest that under the costs that do not relate directly to the contract we would include; <b>Costs borne by the contractor in case of abnormal delays in fulfilling the contract.</b></p>
<p><b>Question 3</b></p> <p>Do you have any other comments on the proposed amendments?</p>	<p>The Board should also discuss the potential impact of the proposed amendments on onerous contracts in the scope of IAS 37 but not previously in the scope of IAS 11.</p>