

HANDOUT I - CONTINGENT LIABILITY

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An existing condition or situation involving uncertainty as to possible gain or loss to an enterprise that will ultimately be resolved when one or more future events occur or fail to occur.

UNDER ASPE

Determine the probability of a future event occurring or not occurring to determine if a **contingent loss** has occurred. Three possible classifications are considered:

Likely	High
Unlikely	Slight
Not Determinable	Cannot be determined

Contingent loss recognized if both following factors are met.

1. **Likely** that a future event will confirm that an asset has been impaired or liability has been incurred at the reporting date; and
2. The loss can be **reasonably estimated**.

A range of amounts maybe considered. If **any one single amount** appears a better estimate than the other possibilities, then recognize that amount. If not, then recognize the **lower end of the range** and the remaining amount possibly exposed to the risk is reported in a footnote.

If **either of the two factors are not met**, then additional details regarding the contingency are reported in a footnote.

UNDER IFRS

The probability of a future event occurring or not occurring to determine if a contingent loss has occurred is classified as **more likely than not**. This is a lower threshold based on whether the event is **probable** and the amounts are considered as **liabilities and not contingent liabilities** as in ASPE. If recognized, the amount to be recorded would be the **best estimate (expected value)** of all possible occurrences.