

SCOPE		DEFINITION	
<ul style="list-style-type: none"> ASPE Section 3280 <i>Contractual Obligations</i> provides guidance on disclosures of contractual obligations. ASPE Section 3290 <i>Contingencies</i> provides guidance on the accounting treatment of contingencies in the financial statements. Section 3290 does not apply to: <ul style="list-style-type: none"> Allowances for impaired loans and doubtful accounts; Non-discretionary vendor rebates; Warranty provisions. 		<p>A contingency is an existing condition or situation involving uncertainty as to possible gain or loss to an entity that will ultimately be resolved when one or more future events occur or fail to occur.</p> <p>Some examples of contingencies include pending or threatened litigation, threat of expropriation of assets, guarantees of the indebtedness of others and possible liabilities arising from discounted bills of exchange or promissory notes.</p>	
MEASUREMENT OF UNCERTAINTY			
<p>The uncertainty relating to the occurrence or non-occurrence of the future event(s), which determines the outcome of a contingency, can be expressed by a range of probabilities:</p> <ul style="list-style-type: none"> (a) Likely – the chance of the occurrence or non-occurrence of the future event(s) is high; (b) Unlikely – the chances of the occurrence or non-occurrence of the future event(s) is slight; (c) Not determinable – the chances of the occurrence or non-occurrence of the future event(s) cannot be determined. 			
ACCOUNTING TREATMENT			
Contingent Losses		Contingent Gains	
<ul style="list-style-type: none"> The amount of a contingent loss <u>must be accrued</u> in the financial statements by a charge to income when both of the following conditions are met: <ul style="list-style-type: none"> It is likely that a future event will confirm that an asset had been impaired or a liability incurred as at the financial statement date; and The amount of loss can be reasonably estimated. When the estimate of the amount of a contingent loss to be accrued is based on a range and a specific amount in the range appears to be a better estimate than any other, that amount is accrued. If no amount in the range appears to be a better estimate than any other, then the minimum amount in the range is accrued. 		<p>Contingent gains <u>must not be accrued</u> in the financial statements.</p>	
DISCLOSURE			
Contingent Losses		Contingent Gains	Contractual Obligations
<ul style="list-style-type: none"> Disclosure of the existence of contingent loss must be made in the financial statements when: <ul style="list-style-type: none"> The occurrence of the confirming future event is likely, but the amount of loss cannot be reasonable estimated; The occurrence of the confirming future event is likely, and an accrual has been made but there exists an exposure to loss in excess of the amount accrued; or The occurrence of the confirming future event is not determinable. The note disclosure must include: <ul style="list-style-type: none"> The nature of the contingency; An estimate of the amount of the contingent loss or a statement that such an estimate cannot be made; Any exposure to loss in excess of the amount accrued. 		<ul style="list-style-type: none"> Disclosure of the existence of contingent gain must be made in the financial statements when it is likely that future event will confirm the acquisition of an asset or the reduction of a liability as at the financial statement date. The note disclosure must include: <ul style="list-style-type: none"> The nature of the contingency; and An estimate of the amount of the contingent gain or a statement that such an estimate cannot be made. 	<ul style="list-style-type: none"> Particulars of significant contractual obligations in relation to the current financial position or future operations, including: <ul style="list-style-type: none"> Commitments that involve a high degree of speculative risk, when the taking of such risks is not inherent in the nature of the business; and Commitments to make expenditures that are abnormal in relation to the financial position or usual business operations.