



International Accounting Standards Board®

# Press Release

FOR IMMEDIATE RELEASE

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## **IFRIC issues guidance on liabilities for waste management costs**

The International Financial Reporting Interpretations Committee (IFRIC) today issued an Interpretation—IFRIC 6 *Liabilities arising from Participating in a Specific Market—Waste Electrical and Electronic Equipment*, giving guidance on the accounting for liabilities for waste management costs.

IFRIC 6 clarifies when certain producers of electrical goods will need to recognise a liability for the cost of waste management relating to the decommissioning of waste electrical and electronic equipment (historical waste) supplied to private households. The IFRIC concluded that the event giving rise to the liability for costs of such historical waste, and so its recognition, is participation in the market during a measurement period, ie a period in which market shares are determined for the purposes of allocating waste management costs. The IFRIC decided that it is this date, rather than the date of production of the equipment, that is the triggering event for liability recognition.

The Interpretation is effective for financial periods beginning on or after 1 December 2005. Earlier application is encouraged.

Introducing IFRIC 6 Robert Garnett, the Chairman of the IFRIC, commented:

The European Union's Directive on waste electrical and electronic equipment deals with the responsibility of producers for the backlog of waste for goods sold to private households before 13 August 2005. The Interpretation clarifies when a liability arises for the cost of waste management relating to such waste. This is a situation that will affect many European manufacturers. However, the European model for handling the costs of such waste could well be replicated elsewhere.

Subscribers to the IASB's Comprehensive Subscription Service can view the Interpretation from the secure online services area of the IASB's Website ([www.iasb.org](http://www.iasb.org)). Those wishing

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**NOTES TO EDITORS**

*About the Interpretation*

1 The IFRIC was asked for guidance on how IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* should be applied to waste management costs. The European Union's Directive on Waste Electrical and Electronic Equipment has given rise to questions about when the liability of certain electrical goods manufacturers for the decommissioning of such waste should be recognised.

2 The Directive prescribes that the cost of waste management for equipment that has been sold to private households before 13 August 2005 ('historical household equipment') should be borne by producers of that type of equipment that are in the market during the period specified in the applicable legislation of the individual member state (the measurement period). They have to contribute to costs proportionately 'e.g. in proportion to their respective share of the market by type of equipment.'

3 The issue that the IFRIC addressed was: if an entity has an obligation to contribute to waste management costs based on its share of the market in a measurement period, what is the event under paragraph 14(a) of IAS 37 that gives rise to a liability—

- the manufacture or sale of the historical household equipment?
- participation in the market during the measurement period?
- the incurrence of costs in the performance of waste management activities?

### ***About the IFRIC***

4 The IFRIC first met in February 2002. It comprises 12 voting members (all part-time) drawn from a variety of countries and professional backgrounds, and it meets about nine times a year under a non-voting chairman. The IFRIC's principal role is to consider, on a timely basis within the context of International Financial Reporting Standards and the IASB *Framework*, accounting issues that are likely to receive divergent or unacceptable treatment in the absence of authoritative guidance, with a view to reaching consensus on the appropriate accounting treatment. In developing Interpretations, the IFRIC works closely with similar national interpretation committees.

### ***About the IASB***

5 The IASB, based in London, began operations in 2001. It is funded by contributions collected by its Trustees, the IASC Foundation, from the major accounting firms, private financial institutions and industrial companies throughout the world, central and development banks, and other international and professional organisations. The 14 IASB members (12 of whom are full-time) are drawn from nine countries and have a variety of professional backgrounds. The IASB is committed to developing, in the public interest, a single set of high quality, global accounting standards that require transparent and comparable information in general purpose financial statements. In pursuit of this objective, the IASB co-operates with national accounting standard-setters to achieve convergence in accounting standards around the world.

6 A Deloitte & Touche study indicates that 94 countries either require or permit the use of IFRSs for publicly traded companies beginning in 2005. Some other jurisdictions, including Australia, New Zealand, the Philippines and Singapore, base their national practices on international standards. In September 2002 the IASB and the US standard-setter, the Financial Accounting Standards Board, reached an agreement to work towards the convergence of existing US and international practices and the joint development of future standards. In October 2004, the IASB and the Accounting Standards Board of Japan agreed to initiate discussions about a joint project to minimise differences between IFRSs and Japanese accounting standards towards a final goal of convergence of their standards. In January 2005 the two boards announced their agreement to launch a joint project to reduce differences between IFRSs and Japanese accounting standards, and in March the boards met to decide on the initial programme of work for the project.