GENERAL ACCOUNTING
SECTION 1508
measurement uncertainty

PURPOSE AND SCOPE

.01 This Section establishes disclosure standards when there is measurement uncertainty arising from items recognized in financial statements. It does not deal with the disclosure of uncertainties relating to contingencies in financial statements (see CONTINGENCIES, Section 3290). The disclosures required by this Section supplement the disclosure requirements in other Sections.

.02 Measurement is the process of determining the amount at which an item is recognized in the financial statements (see FINANCIAL STATEMENT CONCEPTS, Section 1000). Part of this process includes the review of the carrying amounts of financial statement items to assess the possibility of impairment and the need for a revision of a carrying amount. Measurement uncertainty may exist even if a carrying amount is not revised. Many items are measured using management's best estimates based on assumptions that reflect the most probable set of economic conditions and planned courses of action.

.03 The effect of using alternative accounting policies or methods that are disclosed in accordance with DISCLOSURE OF ACCOUNTING POLICIES, Section 1505, is not considered a measurement uncertainty. For example, the difference between straight-line and declining balance depreciation methods is not considered measurement uncertainty, whereas the uncertainty relating to the estimate of the useful life of an asset is considered a measurement uncertainty.

DEFINITIONS

.04 The following terms are used in this Section with the meanings specified:

(a) **Near term** is a period of time not to exceed one year from the date of the financial statements.

(b) **Measurement uncertainty** is uncertainty in the determination of the amount at which an item is recognized in financial statements. For the purpose of this Section, such uncertainty exists when there is a variance between the recognized amount and another reasonably possible amount.

DISCLOSURE

.05 *The nature of a measurement uncertainty about the amount at which an item is recognized in the financial statements shall be disclosed when that uncertainty is material. The disclosure shall include the following:*

(a) a description of the circumstances giving rise to the uncertainty; and

(b) relevant information about the anticipated resolution of the uncertainty.

.06 *The extent of a measurement uncertainty that is material for an item in the financial statements shall be disclosed when it is reasonably possible that the recognized amount could change by a material amount in the near term.*

.07 *When disclosure has been made in accordance with paragraph* 1508.05 *or 1508.06, the recognized amount of the item subject to measurement uncertainty shall be disclosed, except when disclosure of the amount would have a significant adverse effect on the entity. When the recognized amount is not disclosed, the financial statements shall indicate the reasons for non-disclosure.*

.08 The materiality of the effect of the measurement uncertainty on the financial statements is the sole criterion for determining whether disclosure of measurement uncertainty in accordance with paragraphs 1508.05-.06 would be made. Materiality is the term used to describe the significance of financial statement information to decision makers. An item of information, or an aggregate of items, is material if it is probable that its omission or misstatement would influence or change a decision. Materiality is a matter of professional judgment in the particular circumstances (see FINANCIAL STATEMENT CONCEPTS, paragraph 1000.14).

.09 There is a degree of uncertainty associated with the measurement of many amounts recognized in financial statements. In many cases, however, such uncertainty is not material. A decision about whether a measurement uncertainty has a material effect on the financial statements is a matter of judgment. Management would consider:

(a) information such as the range of reasonably possible amounts;

(b) whether the difference between the recognized amount and the outer limits of the range of reasonably possible amounts is material or whether the recognized amount could change by a material amount;

(c) the impact of other reasonably possible amounts on the entity's economic resources, obligations (for example, debt covenants) and equity / net assets; and

(d) the possible timing of the impact.

A judgment about the materiality of measurement uncertainty would be made considering the effect that a different reasonably possible amount would have on the financial statements.

.10 To assist users in understanding the significance of a material measurement uncertainty, the notes to the financial statements would provide information about its extent when a material change in the recognized amount of an item is reasonably possible in the near term. This could be accomplished, for example, by disclosing the extent to which a recognized amount could reasonably vary in the near term. Entities could disclose this variability by disclosing a range of reasonably possible amounts that relate to the estimate or by disclosing the effect of a change in the significant underlying assumptions used to estimate the amount. At a minimum, disclosure of extent would consist of a statement that it is reasonably possible, based on existing knowledge, that changes in future conditions in the near term could require a material change in the recognized amount.

EFFECTIVE DATE

.11 This Section applies to annual financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier application is permitted.
