Black box accounting: Discounting and disclosure practices of decommissioning liabilities

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Speaker:

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Abstract

This project focuses on the financial statement disclosures of decommissioning costs, clean-up costs and other related environmental liabilities, as per IAS 37 - Provisions, Contingent Liabilities and Contingent Assets (IAS 37), with the purpose of:

1. determining the level of diversity in practice related to the choice of discount rate, and investigating country- and firm-level factors that might explain this diversity,
2. identifying corporate disclosure and transparency practices that help stakeholders understand the “black box” of decommissioning and other environmental liabilities,
3. clarifying the nature of decommissioning and other environmental liabilities and pointing out the major implications of our findings for standard setters, policy makers and preparers.

The results imply that the current International Accounting Standard is not sufficient for investors (and the general public) to understand the amount and the timing of these major liabilities. The authors conclude that the International Accounting Standards Board should take action on this issue.