Accounting for Variable Consideration - From a purchaser's perspective

Response ID:19 Data

1. Personal information

Full name

Javier de Frutos

E-mail

Organisation

EFFAS

2. Question 1 - When to recognise a liability for variable consideration

The Chapter also includes assessments of qualitative characteristics of useful information for each of the two alternatives. Do you agree with these assessments?

Yes

Please explain why

Do you think that other alternatives for requirements for liabilities for variable consideration than those listed should be considered?

No

Please specify these other alternatives.

When do you think a purchaser should recognise a financial liability covered by IFRS 9 for variable consideration that would depend on the purchaser's future actions? Please explain your answer.

We think that the liabilities arises when the purchaser receives the right to use/control the underlying assets. It is up to the purchaser when it perform the action that triggers the variable payment.
We agree that at the point when the other party has performed, the purchaser owes something for obtaining control of the good or service.

Are you aware of any issues relating to the measurement of a recognised financial liability for variable consideration?

No

Please elaborate on these issues.

3. Question 2 - How to assess that an entity has no practical ability to avoid taking an action

Do you agree that the above criteria are valid for assessing whether a purchaser would not have the practical ability to avoid performing a future action that would trigger variable consideration?

Yes

Please explain why

Are there other criteria that should be considered?

No

Please elaborate on these other criteria.

Which of the above criteria would you prefer and why?

4. Question 3 - Interpretations of the definition of cost

How do you interpret current requirements in relation to whether/when the measurement at cost of an asset covered by IAS 16 or IAS 38 should be updated to reflect changes in estimates of variable consideration?

We agree that cost could be considered the amount of cash or cash equivalents paid at the time of the acquisition which implies that cost should not updated.

How do you think 'cost' should be defined to provide the most useful information and do you think it is useful to consider that measurement at cost should be similar across all IFRS Standards?

We think that the cost of an acquisition should provide the most useful information of the consideration amount paid by the purchaser for an asset.
Moreover, the more consistent the definition of cost the better.

5. Question 4 - Possible requirements for when measurement at cost should be updated to reflect changes in estimates of variable consideration

Do you think that other possible requirements than those explored in the Discussion Paper should be considered?

No

What are these other requirements?

Chapter 3 presents the qualitative characteristics of useful information for the three possible alternative requirements (including the four different criteria under Alternative 3) for when measurement at cost should be updated to reflect changes in estimates of variable consideration. Do you agree with the assessed characteristics of useful information for the alternatives?

Yes

Which elements should be considered and which assessments do you disagree with?

When do you think 'cost' should be updated to reflect changes in estimates of variable consideration? If you think that 'cost' should sometimes be updated, under what circumstances should it be updated?

We think that cost should not be updated or depending of the situation should be updated to reflect subsequent changes in variable consideration .
Also, having three possible options and four criteria present too many possibilities of how to register costs.

We will suggest considering Option-1 or Option-2.

6. Question 5 - General requirements on accounting for variable consideration

Do you agree with the advantages and disadvantages identified?

Yes

Please explain why

Based on your assessment and the outlined advantages and disadvantages of respectively developing a unified set of principles for IFRS requirements to account for variable consideration and undertaking a Standard-by-Standard amendment, which of the standard-setting responses do you support?

We think that a Standard-by Standard amendment will be most adequate approach. Not all the variable consideration payments are stem from the same type of transaction nor have the same characteristics.

Do you think that requirements to deal with the issues mentioned in Chapters 2 and 3 should be based on a unified set of principles for how to account for variable consideration?

7. Question 6 - Applying an IFRS 15 mirroring approach

Do you think such an approach would result in useful information?

Yes

Please explain why or why not?

IFRS-15 addresses when good and services have to be recognized as a revenue as a result of when a delivery is provided.

8. Thank You!

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