Variable and Contingent Consideration: An Initial Conceptual Exploration

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Objectives of this paper

To promote a discussion that will assist in identifying the principles for developing accounting requirements for transactions involving variable and contingent consideration.

1 Why a project on variable and contingent consideration?

1.1 Much of financial reporting reflects exchanges of assets and liabilities. Typically, the purchaser acquires an asset and gives an asset (usually cash) or assumes a liability to pay the seller a fixed amount. In such a case, it is clear what asset has been acquired, and what asset has been transferred or liability assumed.

1.2 However, sometimes things are not as straightforward. This project addresses one kind of complication, which arises when the consideration promised by the purchaser is not fixed at the time of the transaction but depends on future events or decisions. The issues that arise in such a case are outlined in Section 2 below.

1.3 Several IFRSs specify the accounting for transactions that involve variable and contingent consideration. The underlying principles of those requirements are not explicit, and so it is unclear whether they are consistent. Existing standards therefore do not provide an adequate guide as to what would be appropriate for future accounting standards.

1.4 It is timely to address the topic of variable and contingent consideration as the IASB has recently issued a revised Conceptual Framework.[1] The improvements made to the Framework may assist in resolving some of the problematic aspects. Furthermore, the IASB has, after considering responses to its 2015 Agenda Consultation, added the topic to its research pipeline.

1.5 The FRC is therefore undertaking a project with the objective of identifying the principles that are most appropriate for accounting for transactions that involve variable and contingent consideration. We hope these principles will be

[1] Conceptual Framework for Financial Reporting 2018. Hereafter 'Conceptual Framework' or simply 'the Framework'.

consistent with the Conceptual Framework, but cannot exclude the possibility that the project will recommend changes or additions to the Framework.

1.6 The boundary between 'conceptual' and 'standards-level' issues is arbitrary and fluid. Even if consensus can be reached on a 'conceptually correct' solution, it does not follow that it would necessarily be followed in new or that existing standards that are inconsistent with that solution should be revised. For example, it might be that the cost of transitioning to a new approach would outweigh the benefits of the foreseeable improvement in financial reporting. Or it might be that the conceptual principles use concepts that cannot be specified in sufficiently precise terms that they unambiguously imply a particular solution to an accounting issue: possible examples of such concepts are 'measurement uncertainty' and 'practical ability to avoid'.

1.7 So, any conclusions reached in the course of the present project that are inconsistent with current IFRSs would not necessarily imply that revisions to IFRS were necessary. That would be considered by the IASB as part of its regular review of its agenda. Similarly, while it is hoped that it will be useful for its principles to be considered in the development of future accounting standards, it may be concluded that a departure from them is desirable in certain circumstances.

2 Scope considerations

Definition

2.1 For the purpose of this paper, transactions involving variable and contingent consideration are defined as follows:

> *Transactions under which the purchaser undertakes that in addition to any fixed amount required by the transaction it will or may pay further consideration the amount of which will vary depending on future events.*

Assumptions for the purpose of this paper

2.2 For the purpose of this initial paper, the discussion is restricted by some assumptions. These are:

(i) Only accounting by the purchaser is considered;

(ii) The time value of money (and hence discounting) is excluded.

(iii) Only transactions on market terms are considered.

(iv) Assets acquired are reported at historical cost, and subsequently measured at historical cost less impairment and/or depreciation.

(v) All consideration (both fixed and variable) is payable in cash which may be either in the entity's functional currency or a foreign currency.

2.3 The Appendix expands on the reasons for these assumptions and note how they might be relaxed as the project progresses.

3 Issues that arise

3.1 Implicit in the Framework is that the following questions should be considered for any transaction:

(i) What is/are the asset(s) acquired?

(ii) What is/are the liability or liabilities assumed?

(iii) Do the assets and liabilities meet the Framework's criteria for recognition?

3.2 These questions require consideration both:

(i) When the transaction is first recognised; and

(ii) When the amount of any recognised liability is changed, when it is necessary to address whether that change represents income or expense or a change in the asset or liability.

3.3 Although it is probably helpful to highlight the questions to be considered, and the stages at which they need to be considered, there is some—perhaps quite a lot—of interdependence between them.

3.4 Given the variety of transactions that involve variable and contingent consideration it is unlikely that a single solution will be appropriate in all cases. The challenge is to determine principles that will discriminate between different circumstances in an appropriate way.

4 On initial recognition, what is/are the asset(s) acquired?

4.1 Identifying the asset that is acquired in a transaction involving variable and contingent consideration is sometimes straightforward. For example, if the transaction requires a future payment in a fixed amount of foreign currency, the asset acquired would be the same as that which would be acquired if the transaction were denominated in the entity's functional currency, even though the amount payable is subject to variation, due to changes in exchange rates. The same would seem to apply if the variation in the consideration was subject in other factors, such as changes in a benchmark interest rate or, perhaps more fancifully, the winner of the next Derby horse race.

Racehorse example

4.2 Including in the acquired asset(s) and liability amounts that depend on the outcome of the next Derby race might seem appropriate if that outcome is unrelated to the asset transferred and outside the control of the parties to the transaction. But suppose the subject of the transaction is a racehorse—let's call it Pegasus—and that the contract requires a fixed payment plus additional consideration of 60% of the prize money if Pegasus wins the next Derby. Such a contract would of necessity impose other terms on the purchaser, including not changing training arrangements or withdrawing from entry in the Derby. In that case, how should the purchaser report the transaction about Pegasus?

4.3 One view might be that the purchaser has acquired a racehorse, and should recognise an asset at the fair value of the consideration given for it: on this view the horse would be reported at the sum of the fixed amount payable and the value of the right to receive 60% of winnings from the Derby. This implicitly assumes that this amount would be about the same as the amount that would be paid in cash for an outright purchase of Pegasus, which, ignoring transaction costs, would be the fair value of Pegasus.

4.4 An alternative view could be that the purchaser should report the purchase of Pegasus at the amount of the fixed payment. Under this view. the carrying value of the acquired asset would be less than the fair value of an outright purchase of Pegasus. In support of this view it might be urged that, the Framework is clear that physical objects are not assets, rather it is the set of rights arising from ownership that constitute an asset (Framework, paragraph 4.12). In this case, the purchaser's rights are less than that would arise from ownership because:

(i) The purchaser cannot keep all of Pegasus' future winnings, but must pay over 60% of his Derby winnings to the seller; and

(ii) The purchaser is constrained by the sales contract in other respects that it would not be if it had obtained ownership of Pegasus (e.g. not changing the training arrangements or withdrawing from entry in the Derby).

4.5 For these reasons, those who hold the alternative view would conclude that it would not be representationally faithful to report the transaction as the acquisition of an asset at a cost equal to the fair value of Pegasus.

Publisher Co Example

4.6 A further example. Suppose that a publisher and an author enter into an agreement for exclusive rights to publish a novel. The contract requires an unconditional payment of CU5,000, and a further payment of CU1 for each copy of the novel that is sold after the first 5,000 copies. The publisher estimates that total sales of the novel will be 8,000 copies. The publisher is under no obligation to print or market the novel.

4.7 Again, there could be two views as to what assets the publisher has acquired:

(a) The publisher has acquired exclusive rights to publish the novel.

(b) The publisher has acquired:

(i) the unconditional right to publish 5,000 copies of the novel; and

(ii) the option to publish further copies at the price of CU1 for each additional copy sold.

5 On initial recognition, what is/are the liability(liabilities) acquired?

5.1 A summary of the principles in the Conceptual Framework for the existence of a liability is as follows:

(i) the entity must have an obligation (paragraph 4.28)

(ii) the entity must have no practical ability to take action that would avoid the obligation (paragraphs 4.31—4.34).

in some cases, an entity may have no practical ability to avoid a transfer if any action that it could take to avoid the transfer would have economic consequences significantly more adverse than the transfer itself. However, neither an intention to make a transfer, nor a high likelihood of a transfer, is sufficient reason for concluding that the entity has no practical ability to avoid a transfer. (paragraph 4.34)

(iii) The obligation must be to transfer an economic resource (paragraphs 4.27, 4.36—4.41).

it does not need to be certain, or even likely, that the entity will be required to transfer an economic resource—the transfer may, for example, be required only if a specified uncertain future event occurs. It is only necessary that the obligation already exists and *that, in at least one circumstance, it would require the entity to transfer an economic resource.* (paragraph 4.37)

(iv) The obligation must be a present obligation that exists as a result of past events (paragraphs 4.27, 4.42,–4.47).

A present obligation exists as a result of past events only if:

(a) the entity has already obtained economic benefits or taken an action; and

(b) as a consequence, the entity will or may have to transfer an economic resource that it would not otherwise have had to transfer. (paragraph 4.43)

5.2 All these requirements must be met in order to conclude that a liability exists. An entity may, for example, have no practical ability to avoid paying for next year's raw materials. However, because this obligation does not result from a past event (the materials are yet to be received) there is no present obligation, and hence no liability.

5.3 The Framework also notes that an executory contract (that, is a contract, or portion of a contract, that is equally unperformed) establishes a combined asset or right and obligation to exchange economic resources, which constitute a single asset or liability (paragraphs 4.56–4.58)

5.4 In a transaction involving variable and contingent consideration, the purchaser will always have a liability for any fixed consideration (to the extent it is unpaid), and the question of whether it has an additional liability arises only in respect of the variable amount.

5.5 In some cases it is straightforward to conclude that a liability exists. As noted in paragraph 4.1 the variation in the consideration payable may be dependent only on factors—such as changes in foreign exchange or interest rates—that are independent of the item transferred and outside the control of the purchaser. Given that the purchaser has no ability to influence future exchange or interest rates, the obligation is clearly one to transfer an economic resource, and, as the purchaser has received an asset that is the same as that which would be obtained for a fixed-price purchase, the obligation arises from past events, all the requirements for the existence of a liability are met.[2]

[2] This rationale is essentially the same as that given in relation to 'Variable lease payments that depend on an index or rate' in the Basis for Conclusions to IFRS 16 'Leases': *the IASB decided to include variable lease payments that depend on an index or a rate in the measurement of lease liabilities. Those payments meet the definition of liabilities for the lessee because they are unavoidable and do*

5.6 In other cases, however, the variation in consideration depends on future action by the purchaser, or on the performance of the item that is purchased (or some combination of these two factors). The two difficult points are:

(i) Does the purchaser have the practical ability to avoid paying the variable and contingent consideration?

(ii) Has the purchaser received the economic benefits as a consequence of which it will or may have to transfer consideration that it would not otherwise have had to transfer?

Practical ability to avoid

5.7 The Basis for Conclusions to the Framework laconically notes that:

> *Applying the criterion of 'no practical ability to avoid 'will require judgement.* (paragraph BC 4.54)

5.8 The Framework (paragraph 4.33) is explicit that, if its financial statements are prepared on a going concern basis, an entity has no practical ability to avoid a transfer if the only means of doing so is by going into liquidation or ceasing to trade.

5.9 It is not clear how to reconcile this with the injunctions in IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' against recognising liabilities for future expenditure that seem to be necessary for the entity to remain in business (fitting smoke filters, relining furnaces and maintaining aircraft). However, IAS 37 does not use the language of 'no practical ability to avoid'.[3] The standard pre-dates the Framework by more than a decade and a half. The IASB is undertaking a research project to assess whether to amend certain aspects of IAS 37.

5.9 The Framework also notes that:

> *in some cases, an entity may have no practical ability to avoid a transfer if any action that it could take to avoid the transfer would have economic consequences significantly more adverse than the transfer itself. However, neither an intention to make a transfer, nor a high likelihood of a transfer, is sufficient reason*

not depend on any future activity of the lessee. Any uncertainty, therefore, relates to the measurement of the liability that arises from those payments and not to the existence of that liability. (paragraph BC165).

3 Though the essential idea appears to be similar. IAS 37 comes close to the language of 'no practical ability to avoid' in its definition of 'obligating event' which refers to 'an entity having no realistic alternative'.

> *for concluding that the entity has no practical ability to avoid a transfer.* (paragraph 4.34)

5.10 The Framework's Basis for Conclusions explains that the idea of 'adverse economic consequences' is intended to mean:

> *not just that it would be economically advantageous to make the transfer. Rather, the adverse economic consequences of not making the transfer are so severe that the entity has no practical ability to avoid the transfer.* (paragraph BC4.55).

5.11 In some cases this is helpful. In the publishing example in paragraph 4.6 above, it is clear that the publisher has no obligation to publish any copies of the novel: it merely has the right to do so (with an additional payment in some circumstances). The clarification in the preceding paragraph makes it clear that this remains the case even if publishing the novel would be profitable. But, in other cases, the answer remains unclear. Questions that remain include the following.

(i) If a lease requires variable lease payments linked to the lessee's future use of the leased item, it would seem *prima facie* that the lessee has the practical ability to avoid such payments by refraining from use of the asset. But does this remain the case where the lessee has entered into a contract with a customer that can only be fulfilled by use of the leased property? For example, if a delivery company leases a truck on a lease that requires payments that increase with mileage, does the company have the practical ability to avoid increased payments if these will be triggered when it fulfils a fixed mileage contract with a customer?

(ii) Does a purchaser have the practical ability to avoid paying additional consideration that depends on the purchaser's future profits from the transferred item? Although in principle the purchaser could deliberately enter into loss-making transactions which would avoid the variable payments, such a course would have significant adverse economic consequences for the purchaser.

Does the variable and contingent consideration relate to economic benefits received?

5.12 It was noted in Section 4 above that there are two views on the initial recognition of a transaction involving variable and contingent consideration:

(i) the purchaser has acquired the entire item (the racehorse, the rights to publish the novel, or whatever);

(ii) the purchaser has acquired only some rights over the item, which includes the right to acquire further rights in some circumstances.

5.13 The first view implies that the liability arises at the time the transaction is entered into. The second view is more difficult, as is evidenced by IFRS 16 'Leases'. That standard excludes variable lease payments linked to future performance or use of an underlying asset in the measurement of lease liabilities. The Basis for Conclusions explains:

> *There are differing views about whether variable payments linked to future performance or use of an underlying asset meet the definition of a liability. Some think that a lessee's liability to make variable lease payments does not exist until the future event requiring the payment occurs (for example, when the underlying asset is used, or a sale is made). Others think that a lessee's obligation to make variable lease payments exists at the commencement date by virtue of the lease contract and receipt of the right-of-use asset. Consequently, they think that all variable lease payments meet the definition of a liability for the lessee because it is the amount of the liability that is uncertain, rather than the existence of that liability.* (paragraph BC168)

5.14 The Basis for Conclusions goes on to explain that while some Board members were of the view that all variable lease payments meet the definition of a liability, they agreed that they should be excluded from initial measurement of the lease liability for cost-benefit reasons.

Cumulative considerations

5.15 The above discussion has highlighted that if it is possible to develop principles that provide a useful guide to when liabilities arise in transactions involving variable and contingent consideration, further development of the ideas of 'no practical ability to avoid' and when economic benefits are received merit further development.

5.16 However, it is also necessary to consider that the conditions set out in the Conceptual Framework are applied cumulatively. It may be that ambiguity in one criterion is overcome when it is considered in the wider context in which the Framework situates it: that <u>all</u> the requirements for meeting the definition of a liability need to be considered together rather than individually. Consideration of specific examples might clarify that, considered together, the conditions for identifying a liability are clear, even if parts of it are open to different interpretations.

6 Recognition

6.1 After identifying the assets and liabilities that arise from a transaction involving variable and contingent consideration, the next hurdle to be confronted is whether such assets and liabilities should be recognised.

6.2 The Framework does not set rules for recognition of assets and liabilities. But it does identify factors that are important influences on recognition decisions. In the context of variable and contingent consideration transactions the most important of these seem to be:

(i) recognition of assets and/or liabilities would provide a faithful representation, not only of the assets and liabilities, but also of any related income, expenses or changes in equity (Framework paragraph 5.18).

(ii) measurement uncertainty may be so high that it would be questionable whether an estimate would provide a sufficiently faithful representation of the asset or liability or any resulting income, expenses or changes in equity (Framework paragraph 5.20).

A faithful representation of assets and liabilities, income or expenses

6.3 We are only contemplating here transactions on market terms. It would be expected that initial recognition of an exchange on market terms should not result in the reporting of income or expenses. The Conceptual Framework supports this intuition.

> *if an asset is acquired or a liability is incurred in an exchange transaction on market terms, its cost generally reflects the probability of an inflow or outflow of economic benefits. Thus, that cost may be relevant information, and is generally readily available. Furthermore, not recognising the asset or liability would result in the recognition of expenses or income at the time of the exchange, which might not be a faithful representation of the transaction.* (paragraph 5.17(a).
>
> [It is necessary to consider]…*the depiction of resulting income, expenses and changes in equity. For example, if an entity acquires an asset in exchange for consideration, not recognising*

> *the asset would result in recognising expenses and would reduce the entity's profit and equity. In some cases, for example, if the entity does not consume the asset immediately, that result could provide a misleading representation that the entity's financial position has deteriorated* (paragraph 5.25 (a))

6.4 The Framework is clear that:

> *Only items that meet the definition of an asset, a liability or equity are recognised in the statement of financial position. Similarly, only items that meet the definition of income or expenses are recognised in the statement(s) of financial performance. However, not all items that meet the definition of one of those elements are recognised.* (paragraph 5.6)

6.5 Thus the Framework:

(i) acknowledges that some assets and liabilities may not be recognised; and

(ii) forbids the recognition of items that do not meet the definition of elements of financial statements.

6.6 This might provide a direction for some transactions involving variable and contingent consideration. Suppose a transaction requires a fixed payment of CU70 and variable and contingent consideration which is estimated to lead to payment of a further CU30. If analysis leads to the conclusion that the purchaser has acquired an asset that should be stated at a CU100, but that the obligation to pay variable and contingent consideration does not meet the definition of a liability, then it would be inconsistent with the Framework to recognise a liability for it. If it is concluded that it would not be representationally faithful to report income and expense on initial recognition, it must be reported as the acquisition of an asset of CU70, matched by a liability (or reduction in cash, when paid) of that amount. Then it would be necessary to consider whether further information about the unrecognised items should be provided in the notes to the financial statements, as observed in the Framework at paragraph 5.11.

Measurement uncertainty

6.7 The Framework notes that the level of measurement uncertainty of an estimate of the amount of the asset or liability may be so high that it is questionable whether it would provide a sufficiently faithful representation of the asset or liability and of any resulting income, expenses or changes in equity. (paragraph 5.20).

6.8 The Framework goes on to suggest that:

(i) The most useful information may be a measure that relies on an uncertain estimate supplemented by disclosure. The measure supplied may be the most relevant, or a different measure that that is slightly less relevant but subject to lower measurement uncertainty (paragraph 5.21).

(ii) If all available measures would not provide useful information, the asset or liability would not be recognised, although it may be necessary to include explanatory information about it (paragraphs 5.22, 5.23).

6.9 Measurement uncertainty is likely to be a significant factor in the recognition of transactions involving variable and contingent consideration. There are at least two reasons for this:

(i) One of the principal motivations for using variable and contingent consideration may be that the value of what is transferred is subject to considerable uncertainty, so that neither the purchaser nor the seller is willing to commit to an outright sale of the transferred item: rather it is more equitable to agree to a fixed consideration, to be followed by variable and contingent consideration to the extent that the transferred item proves profitable.

(ii) Although this paper is confined to transactions ‘on market terms’ this can only apply to the transaction as a whole. Given that the transaction is negotiated as a single package, it cannot be safely concluded that the fixed consideration relates to the item acquired at inception and the variable and contingent amount relates to the future. In the publisher case (see paragraphs 4.6–4.7 above), for example, a higher (lower) fixed consideration might have been agreed in exchange for a lower(higher) variable payment on sales above the threshold.

6.10 A tentative view is that any principles developed within this project can only draw attention to the need to consider measurement uncertainty in the development of accounting standards, rather than provide clear guidance as to how they can be resolved.

7 Should changes in the liability be reported as revisions in the carrying amount of the asset or income/expenses?

7.1 Measures of liabilities that include variable and contingent consideration may be revised before the consideration is paid. So, should changes in the amount of the liability be reported as changes to the carrying amount of the asset or income/expenses? As we are considering here only assets that are reported at historical cost, the question might be rephrased as: when does the change in the liability represent a change in the reported historical cost of the asset?

7.2 Arguably, we are hampered in thinking about historical cost because there is no clear consensus about its underlying principles.

7.3 However, the Conceptual Framework observes:

> *The historical cost of an asset when it is acquired or created is the value of the costs incurred in acquiring or creating the asset, comprising the consideration paid to acquire or create the asset plus transaction costs.* (paragraph 6.3)

7.4 One view is that historical cost reflects the resources that have been expended to acquire an asset, and that management should be accountable for that amount to demonstrate its stewardship of the entity's resources. For example, if an entity purchases the right to develop mineral resources, estimating that restoration costs will cost CU100, that liability will form part of the cost of the asset: if it subsequently becomes clear that the cost will be more, then the increase in the asset will, on this view, be added to the cost of the asset. That is the view adopted in IFRIC Interpretation 1 'Changes in Existing Decommissioning, Restoration and Similar Liabilities'. As the Interpretation makes clear, it is necessary to consider whether there is any indication that the increased carrying amount may not be recoverable, and so should be reviewed for impairment.

7.5 Another view is that a change in the amount of variable and contingent consideration does not necessarily imply that is appropriate to adjust the amount of the asset acquired. In support of this view it might be urged that the Framework observes:

> *Normally, if an entity acquired an asset in a recent transaction on market terms, the entity expects that the asset will provide sufficient economic benefits that the entity will at least recover the cost of the asset.…Hence, measuring an asset… at historical cost…provides relevant information about both the asset …and the price of the transaction that gave rise to that asset…* (paragraph 6.25, abridged)

7.6 This rationale is valid if the costs that the purchaser anticipates when it enters into the transaction are equal to the eventual costs. If it enters into a contract that involves variable and contingent consideration and, as a result, the consideration is greater than expected, it does not provide support for the assumption that the additional consideration would be at least as great as the future economic benefits derived from the asset.

8 Questions for ASAF members

1. Do you agree that it is worth exploring the conceptual basis for dealing with transactions involving variable and contingent consideration?

2. Do you agree with the analysis presented? Within the limited scope of the paper, is anything missing?

3. How is the project best taken forward?

APPENDIX

This Appendix explains the underlying rationale for the assumptions that underly the discussion in the body of this paper, and hints at how they might or might not be revised if work on this subject is continued.

Only accounting by the purchaser

A1 At this initial stage, only accounting by the purchaser is considered: accounting by the seller will probably be considered at a future stage. Whether any principles are equally sound when applied to transactions where the seller may be obliged to refund some or all or the price paid by the purchaser will also merit consideration at a future stage.

Exclusion of discounting

A2 Payment of variable and contingent consideration is typically deferred until contingencies have been resolved, and therefore, if a liability for such a payment is to be recognised at the time of the transaction, discounting would presumably be necessary. However, discounting (or reflecting the time value of money) is excluded from this project, as it would complicate the discussion and obscure those principles that apply specifically to transactions involving variable and contingent consideration. It is not envisaged that the exclusion of discounting will be changed at a later stage of the project.

Transactions on market terms

A.3 The project will address only transactions on market terms. The terminology ‘transactions on market terms’ is that used in the Conceptual Framework: its use not intended to imply a significant difference from other expressions of the same idea such as ‘arm’s-length transactions’ or ‘exchanges of equal value’. It also does not imply that all assets and liabilities are traded on markets that would permit a ‘Level 1’ fair value measurement under IFRS i3 ‘Fair Value Measurement’. Indeed, a common motivation for transactions involving variable and contingent consideration is that the value of what is transferred cannot be objectively determined when the transaction takes place but will depend on the outcome of imponderable future events.

Assets are reported at cost

A.4 Most assets that are purchased under transactions that involve variable and contingent consideration are probably initially recognised at historical cost and subsequently measured at historical cost less impairment and/or depreciation. At a later stage it might be considered how any tentative conclusions would apply to transactions where the assets acquired are measured at fair value. It is suspected that the issues that arise for fair value assets will be more, rather than less, tractable than for historical cost assets. It is not expected that the project will address assets that are reported on other measurement bases such as replacement cost and value in use.

Consideration is cash

A.5 Probably most transactions are denominated in cash, so that the restriction to transactions where the consideration (whether fixed or variable) is denominated in cash will not significantly reduce the validity of the discussion. Transactions denominated in foreign currency, however, are fairly common and provide an interesting comparison with other cases.

A.6 This restriction also avoids discussion of the following issues.

(i) When a previously recognised asset or liability is derecognised as a result of a transaction on market terms, any difference between its carrying amount and its fair value should be recognised as income or expense.

(ii) Transactions that require settlement in the purchaser's own equity.

A.7 These issues do not specifically relate to transactions involving variable and contingent consideration and therefore could be considered more comprehensively as separate projects.