EFRAG Secretariat: S. Heeralall, V. Papa (AD) and R. Sommer

Variable consideration
Cover Note

Objective

1 At the February and March meetings, EFRAG FR TEG provided detailed feedback with suggestions for revision of Chapters 1 and 2 and general feedback on Chapter 3. The purpose of this session is for EFRAG FR TEG to provide feedback/directions on the rest of the draft Discussion paper (Agenda Paper 05-02) and two issues papers on matters for possible inclusion in the Discussion Paper (Agenda papers 05-03 and 05-04). Specifically, this session will focus on getting EFRAG FR TEG feedback on:

(a) Chapter 4 of the initial draft Discussion Paper. Following the discussion at the February FR TEG meeting, Chapter 4 has been drafted to highlight any incremental complexity that may arise from transactions not considered in Chapters 2 and 3 and to holistically assess the consistency of requirements for liability recognition and inclusion of variable consideration in the measurement of the acquired asset with a view to either coming to a conclusion on whether the reasons for differences are justified and present some implications for Standard setting or using the analysis to get constituents' views on whether there should be an alignment of requirements or if they suggest any other way of developing IFRS requirements.

(b) Overview of Current Requirements on accounting for variable consideration in the initial draft Discussion Paper.

(c) Whether and how the Discussion Paper should discuss an approach for accounting for liabilities for variable consideration by purchasers of goods and services that mirrors (analogises) the requirements for accounting for variable consideration within IFRS 15 *Revenue from Contracts with Customers* related to sellers of goods and services (i.e., IFRS 15 mirroring approach). This approach is currently included in Chapter 4 as an example of requirements that can be analogously applied by purchaser entities. The mirroring approach is further detailed in Agenda Paper 05-03.

(d) Whether the Discussion Paper should include a chapter on changes in the value of consideration as discussed in Agenda Paper 05-04.

(e) Any additional comments on Chapter 3 on the measurement of an acquired asset.

(f) The amendments made to Chapters 1 and 2 following from the discussions of EFRAG FR TEG at its February and March 2022 meetings and written comments provided by EFRAG FR TEG members to the EFRAG Secretariat.

2 The executive summary and questions for constituents will be added in the later versions of the draft Discussion Paper.

3 Questions related to the draft Discussion Paper are provided below. Questions on the IFRS 15 mirroring approach and the chapter on changes in the value of consideration are included in Agenda Paper 05-03 and Agenda Paper 05-04, respectively.

Questions for EFRAG FR TEG

4 Does EFRAG FR TEG have any feedback on the Chapter 4 objectives and the initial drafting of the Chapter?

5 Does EFRAG FR TEG have any comments on whether the Overview of Current Guidance (the diagrammatic representation and examples) is useful, sufficiently understandable and complementary to the analysis in the preceding Chapters?

6 Does EFRAG FR TEG have any additional comments on Chapter 3 of the Discussion Paper? Including:

(a) Comments on whether additional approaches should be considered or presented approaches removed from Chapter 3?

(b) Comments on the listed advantages or disadvantages of the approaches considered in Chapter 3?

7 Does EFRAG FR TEG agree with how the EFRAG Secretariat has reflected the comments made at the EFRAG FR TEG February and March meetings in the Discussion Paper in Chapters 1 and 2? (The revised Discussion Paper is included as Agenda Paper 05-02a and a version showing the changes made is included as Agenda Paper 05-02b).

Amendments made to Chapters 1 and 2 following February and March 2022 EFRAG FR TEG meetings

8 The table below summarises how the comments made by EFRAG FR TEG at its February and March 2022 meetings have been considered by the EFRAG Secretariat.

EFRAG FR TEG Comments	Actions
March 2022:	
For Chapter 2, there was support for including Approach 3 as a distinct approach. As a result, all three approaches would be kept.	The three approaches have been kept in the Discussion Paper.
For Chapter 2, it was agreed that the Discussion Paper should only list criteria for Approach 3 and constituents' views would then be sought on their suitability.	This has been done.
February 2022:	
The Discussion Paper should deal with the following three issues separately: 1) Whether a liability exists 2) Whether it should be recognised 3) How it should be measured.	Chapters 2 and 3 are considering specific issues. Chapter 2 is considering whether a liability should be recognised for variable consideration that depends on the purchaser's future activities when the consideration is a financial instrument. According to EFRAG FR TEG's previous discussions, if a liability would be recognised it would have to follow the guidance in IFRS 9 *Financial Instruments.*

EFRAG FR TEG Comments	Actions
	Hence, there would be no recognition thresholds and the measurement would follow the guidance in IFRS 9. Recognition and measurement are thus not considered in Chapter 2. In Chapter 3, the issue relates to whether the measurement of an acquired asset should be updated to reflect changes in estimates of variable consideration. At its February 2022 meeting, EFRAG FR TEG decided that the discussion should be limited to situations where the consideration is a financial instrument. The arguments for not considering recognition and measurement for this liability is provided above. In the draft Chapter 4, recognition and existence are considered together as current requirements do often not distinguish between whether a liability exists and whether it should be recognised. Measurement is, however, considered separately.
Chapters 2 and 3 should only consider variable consideration to be paid in cash or another financial instrument.	This limitation has been reflected in the revised drafting of Chapters 1 – 3. The suggested Chapter 4 broadens the scope to also consider other types of consideration.
The discussion in Chapter 1 around the unit of account should not be termed as a unit of account issue.	The term ‘unit of account’ has been removed. Instead, Chapter 1 discusses whether variable consideration should be considered separately when the consideration is partly fixed.
The discussion in Chapter 1 on the substance of a transaction should be clarified.	The discussion has been clarified.
In paragraph 1.1 of Chapter 1, the examples of a rebate and employee benefits should be removed.	These examples have been removed.
It should be specified that the Discussion Paper considers both the delivery of a finished good and an unfinished good.	It has been specified in the Discussion Paper, that the asset transferred from the seller does not need to be a completed asset, but could also be, for example, a drug under development.
The Discussion Paper should refer to the term ‘control’ in relation to the discussion that a contract was non-executory.	It has been specified that the Discussion Paper only considers situations under which the purchaser has obtained control of the asset transferred from the seller.
In Chapter 2, the only approaches that should be considered should be the approaches under which a liability for variable consideration that would depend on the purchaser’s future activities would be recognised when an asset is received and when the purchaser performs the	Approach 3 has been provided in the Discussion Paper which considers that criteria is needed in order to determine when the purchaser has a practical ability to avoid a payment and when not. A question will be asked to EFRAG FR TEG

EFRAG FR TEG Comments	Actions
relevant activities, respectively. However, the Discussion Paper should discuss under which circumstances each of the two approaches would result in the most useful information.	regarding whether the Discussion Paper should explore various criteria.
In Chapter 2, the table with the relevant guidance should not include IAS 37, but should include IFRS 9. IAS 37 should be considered in the text below the table.	IAS 37 has been removed from the table and placed below it. The requirements on IFRS 9 relate to the heart of the issue regarding IAS 32. That is why the issues regarding IAS 32 are first discussed and then the table reflects other existing requirements on variable consideration.
In Chapter 2, the headings in the table with the relevant guidance should be considered. For example, the heading 'variable consideration related to' should say 'variable consideration in the form of'.	Headings have been changed.
In Chapter 2, in the table with the relevant guidance the two different types of variability considered in IFRS 16 should be considered separately.	The two types are considered separately.
In Chapter 2, as an advantage of recognising a liability for variable consideration that would depend on the purchaser's future activities when a good or service would be received, it should be mentioned that it would result in the recognition of an asset that could be amortised as the benefits of the asset would be received.	Such a discussion has been included in the chapter.
In Chapter 2, it should be considered to remove the repetitions of the pro and con arguments related to the approaches on when to recognise a liability.	The EFRAG Secretariat will consider how best to reflect this. The comment is thus not reflected in the version of the Discussion Paper prepared for this session.
In Chapter 2, for the arguments in favour and against the approaches, it should be considered whether prudence should be included as an aspect.	Prudence is included because it is one of the technical criteria considered when providing endorsement advice to the European Commission.
In Chapter 2, the IFRS 15 mirroring approach should not be considered.	The EFRAG Secretariat has prepared a separate paper on this, which is scheduled to be discussed at this meeting.
In Chapter 2, an argument for recognising a liability that depends on the purchaser's future actions would be that it could be said to result in a faithful representation.	Argument included in Approach 1.
In Chapter 2, the issues with paragraph 25 of IAS 32 should be described in a clearer manner (particularly par. 2.15 c)). It should similarly be discussed what the meaning of paragraph 25 of IAS 32 was. Was it that the aggregate revenue could not be controlled	The argument has been taken from an IFRS IC paper. Reference to this paper has been included. Approach 3 looks at criteria to determine whether the purchaser has the practical

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or the revenue obtained from selling an additional jar of chocolate paste?	ability to avoid a payment for variable consideration and a question is asked to EFRAG FR TEG on whether these criteria should be further explored.
The Discussion Paper should not use the term 'whether and when a liability should be recognised' as at a point in time a liability should be recognised.	Have changed to say 'When'.
In Chapter 2, the reference to guidance for rate-regulated activities should appear outside the table of relevant guidance.	The requirements have been moved to outside the table.
In Chapter 2, as an argument for recognising a liability that would depend on the purchaser's future actions when the asset is received, it could be mentioned that under IFRS 15 the purchaser would recognise an asset at this point in time.	The IFRS 15 mirroring approach is to be discussed at the March 2022 EFRAG FR TEG meeting.

Background

9 The issues to be considered in this session resulted from previous discussions of EFRAG TEG. The table below lists the comments made by EFRAG FR TEG at the July 2021, September 2021, October 2021 and November 2021 EFRAG FR TEG meetings and actions (i.e., how these comments are or will be addressed in the Discussion Paper).

EFRAG FR TEG Comments	Actions
At the July 2021 EFRAG FR TEG meeting, FR TEG members confirmed that there were different interpretations on how to account for variable consideration that was within the control of the purchaser. EFRAG FR TEG's conversation confirmed that there are two issues related to variable consideration: 1) Lack of (clear) guidance for some types of variable consideration; and 2) Different guidance for other types of variable consideration.	The draft Discussion Paper considers both issues.
When examples of variable consideration were considered at the July 2021 EFRAG FR TEG meeting, it was mentioned that, in some cases where the variability would depend on the purchaser's future actions, it could be argued that the purchaser has an equity component before those future actions take place. This equity component would be derecognised and a liability recognised when the entity would start using the asset. This issue was considered at the October 2021 EFRAG FR TEG meeting. It was agreed to include a brief description in the DP on an approach where an equity	Chapter 2 of the draft Discussion Paper briefly mentions the equity component interpretation as a possible interpretation of the current guidance. Based on reservations expressed by EFRAG FR TEG members, Chapter 2 does not list this approach among the approaches that could be further considered when accounting for variable consideration that is yet to be paid. Instead, it focuses only on approaches for liability recognition.

EFRAG FR TEG Comments	Actions
component would be recognised in relation to variable consideration. EFRAG FR TEG members expressed differing views on this approach and a number of concerns were expressed on the possible conclusion that the variable component is equity; some observed that the use of a theoretical example in the issue paper (for which the economic rationale was unclear) could provide a direction supporting the equity component, which would not be the case had a more realistic example been chosen. To avoid adding complexity to the DP, the mention of this possible interpretation should only be mentioned as a possible theoretical interpretation.	
At the July 2021 EFRAG FR TEG meeting, it was decided that the notion of 'cost' in IFRS should be considered. The notion of 'cost' was discussed at the September 2021 meeting. In that regard, the following comments were made, which will be taken into consideration when drafting the Discussion Paper (Refer to Agenda Paper 10-04 for the Structure of EFRAG's Discussion Paper): • EFRAG FR TEG generally agreed that there could be different interpretations on 'cost' as concluded in Agenda Paper 06-04 for the September 2021 meeting. • EFRAG FR TEG agreed that changes in variable consideration related to the period before an asset covered by IAS 16 *Property, Plant and Equipment* or IAS 38 *Intangible Assets* would be ready for its intended use should be included in the cost of the asset. • It was noted that the notion of 'cost' in the IASB ED *Regulatory Assets and Regulatory Liabilities* should also be considered as it could reflect the IASB's latest thinking and suggested that cost could be updated. • The discussion on 'cost' should also include how 'cost' is defined in the Conceptual Framework.	In the draft Discussion Paper: • Whilst assessing current guidance for the subsequent measurement of acquired assets, Chapter 3 presents the different notions and interpretations of 'cost'. • As one of the possible additional approaches, Chapter 3 presents an approach under which changes in variable consideration that take place before the acquired asset is ready for its intended use is included in the cost of the asset. • To reflect the IASB's latest thinking, Chapter 3 mentions the measurement approach proposed in the IASB ED *Regulatory Assets and Regulatory Liabilities*. • Chapter 3 of the Discussion Paper includes a discussion of how 'historical cost' is explained in the Conceptual Framework.
At the July 2021 EFRAG FR TEG meeting, the view was expressed that the Discussion Paper should not consider an approach based on entities' expectations as such an approach would not be compatible with the Conceptual Framework which does not	An approach based on what the entity expects to do is not considered in the Discussion Paper.

EFRAG FR TEG Comments	Actions
focus on expectations but on an entity's ability to avoid.	
At the July 2021 EFRAG FR TEG meeting, it was decided that it should be further considered whether the Conceptual Framework could provide guidance on when to recognise a liability. In this regard, it should be considered what 'no practical ability to avoid' in the Conceptual Framework could mean in the case where an asset had been acquired, but an additional consideration had to be paid to use the asset. The view was presented that in such a case, the entity would not have a practical ability to avoid (unless the entity did not intend to use the asset – e.g. because it would just keep competitors from using it). It should also be considered what should be 'the past event': the transfer of the asset or the action of the purchaser that trigger the payment (or both). In this regard, the IASB's conclusions on the regulatory asset and liability project could be considered. In this project, it seemed that the IASB considered that if you had two possible 'past events' it was the first event that should be taken into account. The guidance on when to recognise a liability was considered at the September 2021 EFRAG FR TEG meeting. In that regard, the following comments were made to the agenda paper prepared by the EFRAG Secretariat, which will be taken into consideration when drafting the Discussion Paper: • The Conceptual Framework is not clear with regards to the role of economic compulsion when considering 'no practical ability to avoid'. • There are differing views on whether the 'past event' would always be when the purchaser would obtain control of a good or service. It could be argued that sometimes the purchaser would not have economic benefits from receiving an asset, but only when it started using an asset received (e.g., if the asset should deliver some specified performance targets). • The establishment of the contract should not be considered as the past event. IFRS 16 *Leases* states that the past event is when an asset is received – not when a contract is established. • The Discussion Paper should have a discussion on the Conceptual Framework without reaching a	In the draft Discussion Paper, the following has been included: • Chapter 2 considers the guidance in the Conceptual Framework on when a liability exists and that there are different interpretations of this guidance. • It is not considered in the discussions that the relevant 'past event' could be the signing of the contract. • The draft Discussion Paper does not include a discussion of constructive obligation. It is considered that such a discussion would fit best in Chapter 4. • The draft Discussion Paper does not include a discussion about an entity that would have no practical ability to avoid a reduction in sales or if it is not using an acquired asset. Accordingly, it has not been necessary to improve the wording on this. • The discussion on executory contracts has not been extended in the draft Discussion Paper. This is because EFRAG FR TEG has previously considered that the Discussion Paper should consider situations where a good or service has been received – but the payment for the good or service is uncertain. It is accordingly mentioned in Chapter 1 that executory contracts are outside the scope of the Discussion Paper.

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conclusion on the issues mentioned above. • If it would be included in the Discussion Paper, better arguments should be provided when stating that an entity would have no practical ability to avoid a reduction in sales or not using an acquired asset. • The discussion should consider constructive obligations (for example, restructuring costs under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*). • The discussion on executory contracts should be extended.	
At the July 2021 EFRAG FR TEG meeting, it was mentioned that it should be considered whether the manner the purchaser of an asset for variable consideration should account for the transaction could be based on how the seller would account for it. Such an approach was presented in Agenda Paper 05-02 for the November 2021 EFRAG TEG meeting, however, FR TEG members wanted the analysis to be further developed before it would discuss the approach. It was thus agreed that the EFRAG Secretariat should prepare a paper on how variable consideration would be accounted for by a purchaser if the accounting by the purchaser should mirror how the seller would account for it under IFRS 15.	Paper 06-03 for this session presents an approach mirroring the requirements included in IFRS 15.
At the July 2021 EFRAG FR TEG meeting, it was mentioned that it should be considered whether IFRS 16 would be a good candidate for an approach for recognition of a liability for variable consideration as its requirements on variable consideration were not based on conceptual arguments.	The requirements and Basis for Conclusions related to IFRS 16 are reflected in Chapter 2 of the Discussion Paper.
At the July 2021 EFRAG FR TEG meeting, EFRAG TEG agreed that if the variability related to variable consideration is outside the control of the purchaser, a liability for variable consideration should be recognised.	In the draft Discussion Paper, the description of the issue on the lack of (clear) guidance on when to recognise a liability for variable consideration is limited to the situations where the variability is dependent on the purchaser's future actions.
At the July 2021 EFRAG FR TEG meeting, it was noted that it should be kept in mind that although no liability would be recognised, there could still be direct costs	This comment is not reflected in the draft Discussion Paper in order to keep the paper focused on variable consideration. When considering the draft Discussion Paper,

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related to acquiring an asset, that should be capitalised.	EFRAG FR TEG is encouraged to note if it considers this comment to be reflected.
At the July 2021 EFRAG FR TEG meeting, EFRAG TEG members agreed that in a contract containing both a fixed-payment part and variable-payment part, recognition of a liability related to the variable part should be considered independently of that related to the fixed part.	The draft Discussion Paper reflects this assumption in Chapter 1 when explaining the unit of account.
At the July 2021 EFRAG FR TEG meeting, it was noted that as it could be discussed whether a liability to pay with bitcoins would fall under IAS 37, an example including Bitcoins should not be included in the Discussion Paper.	The draft Discussion Paper does not include an example with payment with Bitcoins.
At the September 2021 EFRAG FR TEG meeting, in relation to the question on whether differences in existing guidance should be assessed, EFRAG TEG agreed to discuss in the Discussion Paper why the guidance on variable consideration in current IFRS Standards is different and "map" the different guidance without trying to identify an approach that should be applied in all cases. Agenda Paper 05-03 for the November 2021 meeting presented an overview of current guidance in relation to the recognition of a liability for variable consideration and on whether subsequent changes in the estimate of a liability for variable consideration should be reflected in the cost of the acquired asset, respectively. At the November 2021 EFRAG TEG meeting, it was agreed that the EFRAG Secretariat should restructure the paper on the 'mapping' of current requirements so that the various steps – both in relation to the liability to pay variable consideration and the measurement of the acquired asset would be considered together. It was suggested that in the Discussion Paper, some of the different scenarios could be included in an appendix	A diagram of the current guidance has been included in the draft Discussion Paper in a section named 'Overview of current guidance' which is included in the Discussion Paper. Before the diagrams, examples of variable consideration are provided.
At the November 2021 meeting, the view was presented in relation to the paper on the mapping of existing standards, that volume discounts were not variable consideration and that consideration that would have to be paid under IAS 19 *Employee Benefits* would not depend on the employer's future actions (differing views were expressed on this).	The draft Discussion Paper still considers rebates to be variable consideration. The EFRAG Secretariat considers that this follows from the IFRIC agenda decision 'IAS 2 Inventories: Discounts and rebates' from 2004 and the Basis for Conclusions accompanying IFRS 15 also mention refunds to be variable consideration. The EFRAG Secretariat also notes the differing views among EFRAG TEG members on

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It was also noted that IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* was a relevant standard to consider in relation to variable consideration and it could be assessed whether amending paragraph 25 of IAS 32 could be a pragmatic solution to the issue related to when to recognise a liability for variable consideration that had been considered by the IFRS Interpretations Committee. It was also considered important to keep in mind in the discussion whether a contract would be executory. Generally, a liability would not be recognised in an executory contract.	whether consideration paid under IAS 19 would be variable consideration and has therefore kept considering that part of this consideration could be variable. In Chapter 2 of the draft Discussion Paper, it appears that the issue considered in the Chapter arises because of paragraph 25. As mentioned in Chapter 1, executory contracts are outside the scope of the Discussion Paper. The draft Discussion Paper mentions in Chapter 1 that, unless a financial instrument, an asset or a liability related to an executory contract is normally not recognised unless the contract is onerous. Guidance on onerous contracts is included in IAS 37 *Provisions, contingent liabilities and contingent assets*.
At the September 2021 EFRAG FR TEG meeting, it was noted that in the discussions it was important to take into account what would drive the variability and the nature of the liability. For example, whether it would relate to the value of the asset or not.	In Chapter 3 of the draft Discussion Paper, approaches are considered where it is taken into account whether the variable consideration is linked to the quality of the asset received or the future benefits it will generate.
At the September 2021 EFRAG FR TEG meeting, it was noted that another issue that should be discussed would be whether, in some cases, the seller retains an interest in an asset transferred. This could either be limited or unlimited in time. If it was limited in time, it could be considered whether this was similar to an acquisition made in steps. If it would be unlimited, it was a question of whether you had acquired the entire asset or not. It could then also be questioned whether this was related to the characteristics of the asset, and it could be considered as an argument for updating cost even when a liability would not be recognised initially. At its November 2021 meeting, it was agreed to have a discussion of risk-sharing arrangements and step acquisitions at the beginning of the Discussion Paper. However, the Discussion Paper should not present a solution to these issues. Differing views were expressed on what should be the length of this discussion. In addition, differing views were expressed on whether the assessment of control should focus on the 'entire' good or the various embodied rights.	Chapter 1 of the draft Discussion Paper states that determining the substance of a transaction is outside the scope of the Discussion Paper. It provides an example of this. It also provides an example of a situation where all rights related to a physical object may not have been transferred.
At the September 2021 EFRAG FR TEG meeting, an approach to account for variable consideration (which is not directly	In relation to the recognition of a liability for variable consideration to be paid in cash where the consideration depends on the

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reflected in any current IFRS Standards) was suggested. Under the approach, a liability for variable consideration would be recognised and changes would be reflected in the cost, to the extent the variability would relate to the quality or value of the asset. In other cases, a liability should not initially be recognised and subsequent changes should be included in profit or loss. Two variations of this approach were also mentioned: • Not to recognise any liability when control of the asset would be transferred as a 'past event' could be argued only to occur when the quality of the asset would subsequently be determined. Until then, it was uncertain whether the seller had transferred what was promised. • Recognise a liability in both cases, but only reflect subsequent changes in the cost to the extent the changes related to the value of the asset (and not, for example, the use of the asset).	future actions of the purchaser, Chapter 2 of the draft Discussion Paper considers only three approaches: 1) A liability for variable consideration is recognised when the goods and services are received 2) A liability for variable consideration is only recognised when the future actions (or lack of) of the purchaser that would trigger the variable payment have occurred 3) A liability for variable consideration is recognised when the goods and services are received and the payment is practically unavoidable. In the drafted Discussion Paper for the February 2022 EFRAG FR TEG meeting, only the first two approaches were included. The reason of the EFRAG Secretariat not to include additional proposals was that such proposals would result in variable consideration that would depend on the purchaser's future actions would be accounted for using an approach significantly different from the approaches by which other types of variable consideration are accounted. The EFRAG Secretariat accordingly considers that the other approaches than those mentioned above would be better considered in the possible additional Chapter 4. However, based on the comments of EFRAG FR TEG at the February 2022 meeting, an additional approach has been included for the March 2022 EFRAG FR TEG meeting and EFRAG FR TEG is asked whether this approach should be further discussed/developed. Chapter 3 of the Discussion Paper includes approaches where the reflection of changes in the estimation of variable consideration depends on: 1) The quality of the asset or 2) the value/future economic benefits to be derived from the asset.
At the October 2021 EFRAG FR TEG meeting, it was suggested that the Discussion Paper should be amended to include additional examples with clarity on their economic substance. For instance, the transfer of a football player for which the variable consideration would depend on the number of matches the player would play. Another example could be a real-estate sale where the variable consideration would depend on the profit the buyer could book, if the buyer would sell the property within two years, or if the variable consideration would depend on the rent, the purchaser could charge.	Chapter 1 of the draft Discussion Paper includes the suggested examples of variable consideration related to football player transfer and real-estate sales.

<table>
<tr><th>EFRAG FR TEG Comments</th><th>Actions</th></tr>
<tr><td>It was also suggested to consider the variability clause in Tier 1 financial instruments issued by banks (while acknowledging that funding transactions are not in the scope of the DP).</td><td></td></tr>
<tr><td>At the November 2021 EFRAG FR TEG meeting, it was assessed that most of the differences in how variable consideration is currently accounted for do not result from assessments that the differences would be beneficial but reflected that the Standards were made at different times.</td><td>This analysis of reasons for differences across existing Standards would be reflected in a possible additional Chapter (Chapter 4) if a decision is made to include such an additional chapter in the Discussion Paper.</td></tr>
<tr><td>At the November 2021 EFRAG FR TEG meeting, it was agreed that the Discussion Paper, should include an executive summary stating what the IASB could do to remediate current gaps in guidance and whether current differences in guidance on variable consideration are justified.</td><td>An executive summary will be included in the Discussion Paper at a later stage.</td></tr>
<tr><td>At the November 2021 EFRAG FR TEG meeting, the structure of the Discussion Paper was considered. EFRAG TEG did not express any concerns with the proposal to discuss:
In Chapter 2: When to when to recognise a liability for variable consideration when the variability depends on the purchasers' future actions.
In Chapter 3: How changes in estimates related to variable consideration should be reflected in the measurement at cost of an asset.
EFRAG FR TEG should at a later stage discuss whether an additional chapter considering the different guidance on recognition and measurement of a liability for variable consideration, and how this can affect the measurement of an acquired asset. Also, EFRAG TEG should at a later stage consider whether a chapter on value changes of consideration should be included.</td><td>A paper has been prepared for this session on whether an additional chapter considering the different guidance on recognition and measurement of a liability for variable consideration, and how this can affect the measurement of an acquired asset.</td></tr>
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Agenda Papers

10 In addition to this cover note, agenda papers for this session are:

(a) Agenda paper 05-02a – Draft Discussion Paper (Chapters 1, 2, 3, 4 and Overview of current requirements) - Clean;

(b) Agenda paper 05-02b – Draft Discussion Paper (Chapters 1, 2, 3, 4 and Overview of current requirements) – Changes marked;

(c) Agenda Paper 05-03 – Issues Paper on an IFRS 15 mirroring approach for accounting for variable consideration (This paper is unchanged from Agenda Paper 06-04 prepared for the February 2022 EFRAG FR TEG meeting); and

(d) Agenda Paper 05-04 – Issues Paper on whether the Discussion Paper should include a chapter on changes in the value of consideration (This paper is unchanged from Agenda Paper 06-04 prepared for the March 2022 EFRAG FR TEG meeting).