

This paper has been prepared by the EFRAG Secretariat for discussion at a public meeting of EFRAG FR TEG. The paper forms part of an early stage of the development of a potential EFRAG position. Consequently, the paper does not represent the official views of EFRAG or any individual member of the EFRAG FR Board or EFRAG FR TEG. The paper is made available to enable the public to follow the discussions in the meeting. Tentative decisions are made in public and reported in the EFRAG Update. EFRAG positions, as approved by the EFRAG FR Board, are published as comment letters, discussion or position papers, or in any other form considered appropriate in the circumstances.

Variable consideration Cover Note

Objective

- 1 The objective of this session is for EFRAG FR TEG to provide final suggestions for the completed Discussion Paper *Accounting for Variable Consideration* before a scheduled education session for the EFRAG FR Board that will be held in June 2022. The recommendation for approval by the EFRAG FR TEG to the EFRAG FR Board will be sought in June 2022 and the EFRAG FR Board approval will be sought in September 2022.

Background

- 2 EFRAG FR TEG has had discussion on the Discussion Paper in July 2021, September 2021, October, 2021, November 2021, February 2022, March 2022 and April 2022. An overview of the comments made and how they have been addressed is provided below.
- 3 EFRAG FR TEG has not previously considered the questions for constituents, the executive summary and Appendix 3 on past IFRS Interpretations Committee issues. All the four chapters have been revised taking into consideration the feedback that was received at the April EFRAG FR TEG meeting.

Questions for EFRAG FR TEG

- 4 Compared to the previous version of the Discussion Paper, the EFRAG Secretariat has changed the scope of Chapters 2 and 3 from variable consideration in the form of cash or another financial instrument to variable consideration for which the liability would be covered by the scope of IAS 32/IFRS 9. The reason for this change is that the issue covered in Chapter 2 is only relevant for liabilities covered by IAS 32/IFRS 9. Variable consideration could be in the form of cash, but if it would relate to, for example, a lease agreement, requirements do exist on how to account for that variable consideration in IFRS 16 *Leases*. Those types of variable consideration are therefore not the focus of Chapter 2.
Does EFRAG TEG agree with this change?
- 5 Based on the discussions of EFRAG FR TEG of the Discussion Paper, does EFRAG FR TEG agree with the content of:
 - (a) Chapter 1 (Background and Scope)?
 - (b) Chapter 2 (Recognition of a liability for variable consideration)?
 - (c) Chapter 3 (Measurement of an acquired asset)?

	(d) Chapter 4 (Holistic assessment of variable consideration requirements)?
	(e) Appendix 1 (Overview of current guidance)?
	(f) Appendix 2 (IFRS recognition and measurement requirements considered in Chapter 4)?
6	<p>In relation to Chapter 3, the EFRAG Secretariat notes that there are two of the six approaches suggested for whether/when to update the cost measurement of the acquired asset for changes in estimates of variable consideration that cannot be combined with any other approaches (the approaches where the measurement is always updated and where it is never updated). The remaining four approaches could, in principle, be combined. The EFRAG Secretariat has accordingly considered whether these approaches should be combined in one approach under which the measurement is updated in some cases. Four possible criteria for when to update the measurement would then be:</p> <p>(a) If the variable consideration is included in the initial measurement of the cost of the asset;</p> <p>(b) If the change takes place before the asset is ready for its intended use;</p> <p>(c) If the variable consideration is positively associated with future benefits to be derived from the asset;</p> <p>(d) If the variability is linked to the initial quality of the asset.</p> <p>The question for constituents would then be, if they would consider that the measurement at cost should be updated under certain circumstances, which of the criteria they would then consider should result in updating the cost of the asset.</p> <p>Would EFRAG FR TEG prefer such a presentation instead of the one included in the Discussion Paper?</p>
7	Does EFRAG FR TEG have any significant drafting comments to the four chapters and two appendices?
8	Does EFRAG FR TEG agree with the content of the Executive Summary included in the Discussion Paper?
9	Does EFRAG FR TEG agree with the suggested questions for constituents included in the Discussion Paper?
10	Does EFRAG FR TEG agree with Appendix 3 (Summary of past IFRS Interpretations Committee issues)?

Agenda Papers

- 11 In addition to this cover note, the agenda paper for this session is Agenda paper 10-02 – Draft Discussion Paper – Clean version.

Overview of previous EFRAG FR TEG decisions

- 12 The table below provides an overview of previous decisions (and comments) of EFRAG FR TEG and how these have been reflected 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	The draft Discussion Paper considers both issues.

EFRAG FR TEG Comments	Actions
<p>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.</p>	
<p>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.</p> <p>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 component would be recognised in relation to variable consideration.</p> <p>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.</p> <p>To avoid adding complexity to the DP, the mention of this possible interpretation should only be mentioned as a possible theoretical interpretation.</p>	<p>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.</p>
<p>At the July 2021 EFRAG FR TEG meeting, it was decided that the notion of 'cost' in IFRS should be considered.</p> <p>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):</p> <ul style="list-style-type: none"> • 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 <i>Property, Plant and Equipment</i> 	<p>In the draft Discussion Paper:</p> <ul style="list-style-type: none"> • 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 <i>Regulatory Assets and Regulatory Liabilities</i>.

EFRAG FR TEG Comments	Actions
<p>or IAS 38 <i>Intangible Assets</i> would be ready for its intended use should be included in the cost of the asset.</p> <ul style="list-style-type: none"> It was noted that the notion of ‘cost’ in the IASB ED <i>Regulatory Assets and Regulatory Liabilities</i> 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. 	<ul style="list-style-type: none"> Chapter 3 of the Discussion Paper includes a discussion of how ‘historical cost’ is explained in the Conceptual Framework.
<p>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 focus on expectations but on an entity’s ability to avoid.</p>	<p>An approach based on what the entity expects to do is not considered in the Discussion Paper.</p>
<p>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.</p> <p>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:</p> <ul style="list-style-type: none"> The Conceptual Framework is not clear with regards to the role of economic 	<p>In the draft Discussion Paper, the following has been included:</p> <ul style="list-style-type: none"> 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.

EFRAG FR TEG Comments	Actions
<p>compulsion when considering 'no practical ability to avoid'.</p> <ul style="list-style-type: none">• 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 <i>Leases</i> 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 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 <i>Provisions, Contingent Liabilities and Contingent Assets</i>).• The discussion on executory contracts should be extended.	
<hr/> <p>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.</p> <p>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</p> <hr/>	<p>Paper 06-03 for this session presents an approach mirroring the requirements included in IFRS 15.</p>

EFRAG FR TEG Comments	Actions
<p>how the seller would account for it under IFRS 15.</p>	
<p>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.</p>	<p>The requirements and Basis for Conclusions related to IFRS 16 are reflected in Chapter 2 of the Discussion Paper.</p>
<p>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.</p>	<p>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.</p>
<p>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 related to acquiring an asset, that should be capitalised.</p>	<p>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, EFRAG FR TEG is encouraged to note if it considers this comment to be reflected.</p>
<p>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.</p>	<p>The draft Discussion Paper reflects this assumption in Chapter 1 when explaining the unit of account.</p>
<p>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.</p>	<p>The draft Discussion Paper does not include an example with payment with Bitcoins.</p>
<p>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.</p> <p>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</p>	<p>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.</p> <p>Before the diagrams, examples of variable consideration are provided.</p>

EFRAG FR TEG Comments	Actions
<p>in the cost of the acquired asset, respectively.</p> <p>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</p>	
<p>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 <i>Employee Benefits</i> would not depend on the employer’s future actions (differing views were expressed on this).</p> <p>It was also noted that IAS 37 <i>Provisions, Contingent Liabilities and Contingent Assets</i> 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.</p> <p>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.</p>	<p>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 whether consideration paid under IAS 19 would be variable consideration and has therefore kept considering that part of this consideration could be variable.</p> <p>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 <i>Provisions, contingent liabilities and contingent assets</i>.</p>
<p>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.</p>	<p>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.</p>
<p>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</p>	<p>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.</p>

EFRAG FR TEG Comments	Actions
<p>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.</p> <p>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.</p> <p>In addition, differing views were expressed on whether the assessment of control should focus on the ‘entire’ good or the various embodied rights.</p>	
<p>At the September 2021 EFRAG FR TEG meeting, an approach to account for variable consideration (which is not directly 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:</p> <ul style="list-style-type: none"> • 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). 	<p>In relation to the recognition of a liability for variable consideration to be paid in cash where the consideration depends on the 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.</p> <p>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.</p> <p>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</p>

EFRAG FR TEG Comments	Actions
	<p>whether this approach should be further discussed/developed.</p> <p>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.</p>
<p>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.</p> <p>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).</p>	<p>Chapter 1 of the draft Discussion Paper includes the suggested examples of variable consideration related to football player transfer and real-estate sales.</p>
<p>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.</p>	<p>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.</p>
<p>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.</p>	<p>An executive summary will be included in the Discussion Paper at a later stage.</p>
<p>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:</p> <ul style="list-style-type: none"> • 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 	<p>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.</p>

EFRAG FR TEG Comments	Actions
<p>be reflected in the measurement at cost of an asset.</p> <p>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.</p>	
<p>At the March 2022 EFRAG FR TEG meeting, support was expressed for including an approach based on the Conceptual Framework (an approach where a liability for variable consideration would be recognised if the purchaser would have no practical ability to avoid conducting the future actions that would trigger the variable consideration).</p>	<p>The Discussion Paper includes three different approaches for requirements for when to recognise a liability for variable consideration within the scope of Chapter 2.</p>
<p>At the March 2022 EFRAG FR TEG meeting, it was agreed that the Discussion Paper should list different possible criteria for when a purchaser would have no practical ability to avoid conduction the future actions that would trigger the variable consideration.</p>	<p>Different criteria have been included in Chapter 2, and constituents are consulted on these in the questions for constituents.</p>
<p>At the February 2022 meeting, the comment was made that 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.</p>	<p>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 <i>Financial Instruments</i>. 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.</p>

Variable consideration – Cover note

EFRAG FR TEG Comments	Actions
	Measurement is, however, considered separately.
At the February 2022 EFRAG FR TEG meeting, it was decided that 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 limitation introduced is even more narrow than cash or another financial instruments as it refers to liabilities for variable consideration that would be covered by the scope of IAS 32/IFRS 9. The Chapter 4 broadens the scope to also consider other types of consideration.
At the February 2022 EFRAG FR TEG meeting, it was decided that 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.
At the February 2022 EFRAG FR TEG meeting, it was decided that the discussion in Chapter 1 on the substance of a transaction should be clarified.	The discussion has been clarified.
At the February 2022 EFRAG FR TEG meeting, it was decided that the examples of a rebate and employee benefits should be removed.	These examples have been removed.
At the February 2022 EFRAG FR TEG meeting, it was decided that 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.
At the February 2022 EFRAG FR TEG meeting, it was decided that 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.
At the February 2022 EFRAG FR TEG meeting, it was decided that 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 relevant activities, respectively. However, the Discussion Paper should discuss under which circumstances each of the two approaches would result in the most useful information.	At the EFRAG FR TEG meeting in March 2022, it was decided to include an additional approach in Chapter 2. This decision has therefore not been reflected.
At the February 2022 EFRAG FR TEG meeting, it was decided that the table in Chapter 2 including the relevant guidance	IAS 37 has been removed from the table and placed below it. The requirements on IFRS 9 relate to the heart of the issue

EFRAG FR TEG Comments	Actions
<p>should not include IAS 37 but should include IFRS 9. IAS 37 should be considered in the text below the table.</p>	<p>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.</p>
<p>At the February 2022 EFRAG FR TEG meeting, it was decided that 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'.</p>	<p>The column in the table has been deleted as the content appears from Appendix 1.</p>
<p>At the February 2022 EFRAG FR TEG meeting, it was decided that in Chapter 2, in the table with the relevant guidance the two different types of variability considered in IFRS 16 should be considered separately.</p>	<p>The two types are considered separately.</p>
<p>At the February 2022 EFRAG FR TEG meeting, it was decided to include 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, that it would result in the recognition of an asset that could be amortised as the benefits of the asset would be received.</p>	<p>Such a discussion has been included in the chapter.</p>
<p>At the February 2022 EFRAG FR TEG meeting, it was decided that it should be considered to remove the repetitions of the pro and con arguments related to the approaches on when to recognise a liability.</p>	<p>A table with the advantages and disadvantages of the approaches has been included instead of a text that described the advantages and disadvantages.</p>
<p>At the February 2022 EFRAG FR TEG meeting, it was decided that it should be considered whether prudence should be included as an aspect when assessing the advantages and disadvantages of an approach.</p>	<p>Prudence is included because it is one of the technical criteria considered when providing endorsement advice to the European Commission.</p>
<p>At the February 2022 EFRAG FR TEG meeting it was decided that an IFRS 15 mirroring approach should not be considered.</p>	<p>The EFRAG Secretariat prepared a separate paper on this, which was discussed at the April 2022 EFRAG TEG meeting. It was here decided that the paper should shortly discuss, in Chapter 4, how aspects of an IFRS 15 mirroring approach could be considered. Such a discussion is accordingly included in the Discussion Paper.</p>
<p>At the February 2022 EFRAG FR TEG meeting it was decided that an argument for recognising a liability that depends on the purchaser's future actions would be that it</p>	<p>Argument has been included.</p>

EFRAG FR TEG Comments	Actions
could be said to result in a faithful representation.	
At the February 2022 EFRAG FR TEG meeting, it was decided that, 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 or the revenue obtained from selling an additional jar of chocolate paste?	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 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.
At the February 2022 EFRAG FR TEG meeting, it was decided that 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’.
At the February 2022 EFRAG FR TEG meeting, it was decided that 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.
At the February 2022 EFRAG FR TEG meeting, it was decided that 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.
At the April 2022 EFRAG FR TEG meeting, it was decided that the more detailed description of requirements related to Chapter 4 should be transferred to an Appendix. In addition, the assessment of non-cash considerations and any other transactions excluded from Chapters 2 and 3 could be in the Appendix.	Description of requirements related to Chapter 4 has been moved to Appendix 2. The EFRAG Secretariat has considered that the assessment of non-cash considerations and any other transactions is best suited in Chapter 4.
At the April 2022 EFRAG FR TEG meeting, it was decided to ask for constituents’ views whether the IASB should develop a unified set of principles or any other possible approaches to standard setting development.	Covered in Q9 of the questions to constituents.
At the April 2022 EFRAG FR TEG meeting, it was decided to discuss aspects of an IFRS 15 mirroring approach in the Discussion Paper.	Done in Chapter 4 and Appendix 2.
At the April 2022 EFRAG FR TEG meeting, it was decided not to include a chapter on changes in the value of consideration in the	A chapter on changes in the value of consideration has not been added.

Variable consideration – Cover note

EFRAG FR TEG Comments	Actions
Discussion Paper and the reason for exclusion should be stated in the Discussion Paper (i.e., in Chapter 1).	However, the reasons for the exclusion has been done in Chapter 1.
At the April 2022 EFRAG FR TEG meeting, it was decided to ensure that the Discussion Paper only considers variable consideration to be paid to the seller and any requirements analysed are consistent with this.	This has been checked.
At the April 2022 EFRAG FR TEG meeting, it was decided to specify that in Chapters 1 and 2 that the Discussion Paper only considers recognition and measurement requirements – and not disclosures of unrecognised liabilities.	Done in Chapter 1.
At the April 2022 EFRAG FR TEG meeting, it was decided to refine the Approaches in Chapter 2 so that they are premised on two possible outcomes on when a liability for variable consideration should be recognised.	We have included 2 Approaches based on the Conceptual Framework and an additional approach from current requirements.
At the April 2022 EFRAG FR TEG meeting it was decided that the linkage between the Approaches in Chapter 2 the approaches in Chapter 3 should be made clearer.	A paragraph has been added in Chapter 3 about the linkage, i.e., that the linkage is to come extent included in the assessments of the Approaches.
At the April 2022 EFRAG FR TEG meeting, it was decided to expand the analysis of the definition of cost in Chapter 3.	This has been done. Also, a paragraph has been added relating to cost being updated until the asset is ready for its intended use.