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What does 'cost' mean?
Issues Paper

Objective

1 When discussing variable consideration at its July 2021 meeting, EFRAG TEG considered that a discussion on what 'cost' means could be useful when considering alternative approaches for accounting for variable consideration to be paid for a good or service measured at cost.

2 The objective of this paper is accordingly to consider whether the definition and guidance on 'cost' in IFRS would have any implications for the approaches to be considered in the Discussion Paper. That is, whether the guidance on measurement at cost would/should disqualify some of the approaches considered for the measurement of an acquired asset for variable consideration or would result in additional approaches having to be considered.

3 The implications considered in this paper are:

(a) Whether the definition and guidance on 'cost' would/could/should mean that some of the approaches considered for how to account for the subsequent measurement of an asset acquired for variable consideration should be re-considered. That is, if an entity, for example, has acquired a good and has to pay a fixed amount for this good plus an additional amount if it starts using the good, would the definition and guidance on 'cost' mean that 'cost' should be updated when the entity starts using the good (to reflect the additional consideration to be paid), or would it mean that 'cost' should not be updated?

(b) Whether the definition and guidance on 'cost' would/could mean that the initial measurement of an asset should not be similar to the measurement of the related liability. That is, would an entity, for example, have to reflect that it will have to pay an additional amount if it starts using the asset in the cost of the asset even if it should not recognise a liability for this – or vice versa.

4 The purpose of this paper is only to consider variable consideration:

(a) paid in cash (however, in a few places it is noted what the implications would be if consideration is not paid in cash);

(b) that is paid in exchange for a tangible or intangible asset accounted for under the cost model in IAS 16 *Property, Plant and Equipment* or IAS 38 *Intangible Assets*;

(c) for which the fair value can be measured sufficiently reliable.

5 Currently, when EFRAG TEG discusses whether a liability should be recognised for variable consideration, it only considers variable consideration that depends on the purchaser's future activities. That is because the issue of whether a liability should

be recognised seems to be limited to those circumstances. However, when considering whether the measurement of an asset measured at cost should be updated to reflect changes in variable consideration, the issue is not only limited to variable consideration that depends on the purchaser's future activities. The scope of this paper is thus not limited to those types of variable consideration.

6 An example of a situation covered by this paper is considered in paragraph 39 in Paper 06-04 for this session (chocolate example with a fixed and variable consideration).

Summary of suggestions of the EFRAG Secretariat

7 As explained below, the EFRAG Secretariat considers that the definition of 'cost' and guidance on 'cost' in IFRS literature can be interpreted differently and can thus not, by itself, be used to determine or limit the approaches to be considered in EFRAG's Discussion Paper on how to reflect subsequent changes in variable consideration in the measurement of an acquired asset. If EFRAG TEG would agree with this, EFRAG TEG could:

(a) Decide on whether it wants to limit the number of possible interpretations of 'cost' to be considered in the Discussion Paper, and hence limit the number of approaches to be considered in the Discussion Paper for the subsequent measurement of goods and services purchased in exchange for variable consideration; or

(b) Decide that for each of the approaches considered in the Discussion Paper (see paragraph 55 below), it should be described which interpretation of 'cost' would be consistent with that approach.

8 Also, the EFRAG Secretariat does not consider that the guidance and definition of 'cost' would mean that variable consideration should be reflected in the cost of an asset if a liability for the variable consideration would not be recognised and vice versa. However, the definition of 'cost' could mean that the variable consideration would not be measured similarly for the purpose of measuring the asset as for measuring the liability.

Structure of this paper

9 In order to illustrate the assessment of the EFRAG Secretariat that <u>the definition of 'cost' and guidance on 'cost' in IFRS literature can be interpreted differently</u>, the following section includes arguments for different interpretations of the guidance on 'cost'. That is followed by a short section describing why the EFRAG Secretariat:

(a) Does not consider that the guidance and definition of 'cost' would mean that variable consideration should be reflected in the cost of an asset if a liability for the variable consideration would not be recognised and vice versa

(b) Considers that the definition of 'cost' could mean that the variable consideration would not always be measured similarly for the purpose of the initial measurement of the asset and the initial measurement of the liability.

Different interpretations of 'cost'

10 The subsections below include some arguments for different interpretations of what 'cost' could mean. The different arguments have mainly been collected from papers for meetings of the IFRS Interpretations Committee ('IFRIC') and previous discussions of EFRAG TEG. The EFRAG Secretariat would not necessarily find all the arguments listed equally convincing, however, the EFRAG Secretariat acknowledges that the argument could be put forward. The different interpretations, for which arguments are presented are that:

(a) The original estimate of cost of a good or a service (subsequently measured at cost) should not be updated to reflect changes in the measurement of related variable consideration;

(b) The original estimate of a good or a service (in the following referred to as an ‘asset’) should be updated to reflect changes in an estimate related to variable consideration that was originally included in the measurement of the cost of the asset;

(c) The measurement of an asset should be updated to reflect changes in estimates related to variable consideration until the asset is ready for its intended use;

(d) The measurement of an asset should be updated to reflect all changes in an estimate related to variable consideration.

11 Following the presentation of arguments related to the approaches described above, arguments are provided in favour and against reflecting changes in variable consideration that are related to an increase in the cash flows (expected) to be received from the acquired asset in the measurement of the asset.

Arguments to support not updating original estimates

12 The EFRAG Secretariat considers that the definition of cost in IFRS could be interpreted as if measurement at cost would imply a measurement basis that is not subsequently updated.

13 ‘Cost’ is defined in paragraph 6 of IAS 16, paragraph 8 of IAS 38 and paragraph 5 of IAS 40 *Investment Property* as:

> The amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction, or, when applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other IFRSs, eg IFRS 2 *Share-based Payment*.

14 ‘Fair value’ is defined in IFRS 13 *Fair Value Measurement* as[1]:

> The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

15 The definition of cost presented in paragraph 13 above could be read as follows (‘-‘ inserted to illustrate):

> The amount of cash or cash equivalents paid – or the fair value of the other consideration given – to acquire an asset at the time of its acquisition […]

16 As it appears, the definition of ‘cost’ refers to ‘to acquire an asset *at the time of its acquisition or construction* [emphasis added]’ and ‘*when initially recognised*’. It could thus be argued that the definition does not envisage that ‘cost’ could be updated as a result of changes in the amount paid (or given) to acquire an asset.

17 Guidance in current Standards could also be used to support such an interpretation. Paragraph 16 of IAS 16, for example, refers to ‘initial estimate’ of the costs of dismantling and removing, when it lists what the cost of an item of property, plant and equipment comprises:

> The cost of an item of property, plant and equipment comprises:
>
> (a) its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates.

[1] This definition is also used in several other Standards, however, the definitions of ‘fair value’ applied in IFRS 2 Share-based Payment and in IFRS 16 Leases are slightly different. In IFRS 2, the definition also includes the amount at which an equity instrument granted could be exchanged.

(b) any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

(c) the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

18 In addition, both IAS 16 and IAS 38 states that after the initial recognition, an asset accounted for under a cost model should be measured at its cost less any accumulated amortisation/depreciation and any accumulated impairment losses (see paragraph 74 of IAS 38 and paragraph 30 of IAS 16). Neither IAS 16 nor IAS 38 thus mentions that the measurement of an asset accounted for by the Standards should be adjusted by changes in the estimate related to variable consideration.

19 The Conceptual Framework for Financial Reporting (the ‘Conceptual Framework’) (paragraph 6.7), similarly only states that:

The historical cost of an asset is updated over time to depict, if applicable:

(a) the consumption of part or all of the economic resource that constitutes the asset (depreciation or amortisation);

(b) payments received that extinguish part or all of the asset;

(c) the effect of events that cause part or all of the historical cost of the asset to be no longer recoverable (impairment); and

(d) accrual of interest to reflect any financing component of the asset.

20 Accordingly, the guidance in the Conceptual Framework could be read to imply that changes in variable consideration should result in updating the historical cost of an asset or otherwise be reflected in an asset measured under the cost model in IAS 16 or IAS 38.

21 The guidance in IFRS 16 *Leases* could also be used to support the view that ‘cost’ of assets measured in accordance with IAS 16 and IAS 38 should not be subsequently updated for changes in the variable consideration.

22 IFRS 16 *Leases* does not define ‘cost’. However, in paragraph 24 it describes what should be included in the cost of a right-of-use asset:

(a) The amount of the initial measurement of the lease liability;

(b) Any lease payments made at or before the commencement date, less any lease incentives received;

(c) Any initial direct costs incurred by the lessee; and

(d) An estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The lessee incurs the obligation for those costs either at the commencement date or as a consequence of having used the underlying asset during a particular period.

23 Paragraph 27 of IFRS 16 specifies that the payments to be included in the (initial) measurement of a lease liability should include (among other elements):

(a) fixed payments (including in substance fixed payments) less any lease incentives receivable; and

(b) variable lease payments that depend on an index or a rate.

24 Paragraph 30 of IFRS 16 specifies that when the cost model is applied for the subsequent measurement of a right-of-use asset, it should be measured

at cost […] adjusted for any remeasurement of the lease liability […]

25 It could thus be argued that IFRS 16 considers that adjustments of any remeasurement of the lease liability is not part of cost – but an adjustment that should be made to cost when measuring a right-of-use asset subsequently to the initial recognition. As it appears specifically from IFRS 16 that the subsequent measurement of a right-of-use asset should be adjusted for any remeasurement of the lease liability, it could be deduced that such adjustments should not be made for assets accounted for under the cost models in IAS 16 and IAS 38, as this adjustment is not mentioned in those standards.

26 Finally, the guidance in IFRS 3 could also be used to support the view that original estimates should not be updated, although IFRS 3 allows entities to revise the original estimate during the measurement period. This is because, changes should only be made to the extent they reflect facts and circumstances that existed as of the acquisition date.

27 According to IFRS 3 (paragraph 45):

> If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the acquirer shall retrospectively adjust the provisional amounts recognised at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date. During the measurement period, the acquirer shall also recognise additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date. The measurement period ends as soon as the acquirer receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable. However, the measurement period shall not exceed one year from the acquisition date.

28 IFRS 3 (paragraph 58) specifies:

> Some changes in the fair value of contingent consideration that the acquirer recognises after the acquisition date may be the result of additional information that the acquirer obtained after that date about facts and circumstances that existed at the acquisition date. Such changes are measurement period adjustments […] However, changes resulting from events after the acquisition date, such as meeting an earnings target, reaching a specified share price or reaching a milestone on a research and development project, are not measurement period adjustments.

29 The Basis for Conclusions accompanying IFRS 3 *Business Combinations*, states that (paragraph BC357):

> Except for adjustments during the measurement period to provisional estimates of fair values at the acquisition date, the boards concluded that subsequent changes in the fair value of a liability for contingent consideration do not affect the acquisition-date fair value of the consideration transferred. Rather, those subsequent changes in value are generally directly related to post-combination events and changes in circumstances related to the combined entity. Thus, subsequent changes in value for post-combination events and circumstances should not affect the measurement of the consideration transferred or goodwill on the acquisition date. (The boards acknowledge that some changes in fair value might result from events and circumstances related in part to a pre-combination period. But that part of the change is usually indistinguishable from the part related to the post-combination period and the boards concluded that the benefits in those limited circumstances that might result from making such fine distinctions would not justify the costs that such a requirement would impose.)

Arguments to support updating estimates originally included in 'cost'

30 IFRIC 1 *Changes in existing decommissioning, restoration and similar liabilities* is an example of guidance that could be used to argue that estimates of cost of a good or service acquired in exchange for variable consideration should be updated to the

extent the variable payments are initially included in the measurement of the asset. Accordingly, only to the extent that variable consideration is included in the initial measurement of an asset, changes should be included in cost.

31 According to IFRIC 1 (paragraph 5), changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits required to settle the obligation, or a change in the discount rate, shall be added to, or deducted from, the cost of the related asset in the current period.

32 The Basis for Conclusions (paragraph BC10), notes that IFRIC considered that recognising changes in the estimated outflow of resources embodying economic benefits in current period profit or loss would be inconsistent with the initial capitalisation of decommissioning costs under IAS 16.

33 IFRIC accordingly considered changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits to be a change in estimate.

34 According to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* (paragraph 34):

> An estimate may need revision if changes occur in the circumstances on which the estimate was based or as a result of new information or more experience.

35 It also follows from IAS 8 (paragraph 37) that:

> To the extent that a change in an accounting estimate gives rise to changes in assets and liabilities, or relates to an item of equity, it shall be recognised by adjusting the carrying amount of the related asset, liability or equity item in the period of the change.

36 Although IAS 16 refers to '*the initial estimate* [emphasis added] of the costs of dismantling and removing […]' IFRIC 1 not only requires changes in estimates about facts and circumstances that existed at the time of the acquisition to be updated. The cost should also be updated following, for example, development of new technologies that takes place after the initial recognition (see, for example, paragraph IE3 of IFRIC 1) as long as the change in estimate relates to an amount included in the initial estimate of the costs. The scope of changes to be reflected in the measurement of the acquired asset is thus broader under IFRIC 1 than under IFRS 3 under which changes in the liability related to variable consideration should not be included in the measurement of an asset, if it relates to events following the purchase of the asset.

37 It could thus be argued that as IFRIC 1 requires updating the initial cost estimate resulting from decommissioning, restoration and similar liabilities to reflect subsequent changes, the same should be done for liabilities related to variable consideration originally included in the cost of an asset. It could thus be argued that if it is considered to be inconsistent with the initial capitalisation of decommissioning costs under IAS 16 to recognising changes in the estimated outflow of resources embodying economic benefits in current period profit or loss (see paragraph 32 above), this would also apply for variable consideration.

Arguments to support updating estimates until the asset is ready for its intended use

38 As mentioned in paragraph 17 above, IAS 16 requires that cost of an item of property, plant and equipment comprises:

> any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

39 A similar requirement is included in IAS 38 (paragraph 27).

40 The time when the asset is ready for its intended use could thus be seen as the point in time from which the ‘cost’ is fixed and only changed by accumulated amortisation/depreciation and any accumulated impairment losses (see paragraph 18 above).

41 This approach would mean that, for example, variable payment that would have to be paid if a drug is approved for which the entity has acquired the right, should be included in the measurement of the right when the drug is approved (as the rights to the drug are only ready for their intended use when the drug can be sold). On the other hand, variable consideration related to the subsequent sale of the drug should not be included in the cost as these costs are not related to the period before the asset is ready for its intended use. Instead, these costs are indications of the development in the fair value of the asset, which should not be reflected in the cost measure.

Arguments in support of updating cost to reflect the amount finally paid in cash

42 Contrary to the interpretation of the definition of ‘cost’ presented in paragraph 15 above, the definition (see paragraph 13 above), could also be read as (‘-‘ inserted to illustrate):

> The amount of cash or cash equivalents paid – or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction, or, when […]

43 In other words, ‘cost’ should include the entire amount of cash or cash equivalents paid – even when these are contingent when the asset is received and thus only paid subsequently.

44 Under this interpretation variable consideration in cash is included in ‘the amount of cash or cash equivalents’ in the definition of ‘cost’ (see paragraph 13 above) whereas it under the previous interpretations could also be included in ‘the fair value of the other consideration given’. This also means that the argument would only work for consideration paid in cash or cash equivalents. If consideration should be paid in, for example, Bitcoins instead of cash, the argument would not be applicable.

45 The fact that both IAS 16 (paragraph 16), IAS 38 (paragraph 27) and IAS 2 *Inventories* (paragraph 11) should take trade discounts and rebates into account when determining the cost of an asset, could be used to support the argument that cost should reflect the amount finally paid. According to IAS 2:

> Trade discounts, rebates and other similar items are deducted in determining the costs of purchase.

46 It follows that volume rebates (which is a type of variable consideration), for which the exact amount, in many cases, would only be known subsequently to the acquisition of inventory, should be reflected in cost.

47 IFRS 15 *Revenue from Contracts with Customers* is dealing with variable consideration from the party receiving variable consideration. According to this standard (paragraph 59), an entity shall at the end of each reporting period update the estimated transaction price, in which variable consideration is included, to represent the circumstances present at the end of the reporting period. Changes in variable consideration is reported in ‘revenue’ similar to the revenue from the sale of the good or service to which it relates.

48 It could thus be argued that if IFRS 15 requires adjustments in the transaction price for goods and services from the perspective of the seller, it would be appropriate for the purchaser also to adjust the cost of those goods and services.

Changes in variable consideration related to increases in the cash flows from an acquired asset

49 Independently of which of the above-mentioned approaches for updating/not updating 'cost' that would generally be considered to be correct, it would have to be considered whether variable consideration related to increases in the cash flows from an acquired asset should be considered as an improvement/an additional asset.

50 The issue arises when a seller has fully satisfied its performance obligation but the amount the purchaser will have to pay an additional amount that depends on increases in the cash flows from an acquired asset. An example could be, if variable consideration would depend on whether the purchaser of a machine would start marketing the products produced by the machine in a particular jurisdiction.

51 In this case there could also be arguments in favour an against capitalising the additional consideration that is paid, when the purchasing entity is generating sales.

52 On the one hand it could be argued that the additional payment the entity is making when generating additional sales is payment for an asset, that is:

a present economic resource controlled by the entity as a result of past events

53 This is because the payment (in arrears) provides the entity with a right to make additional sales which has the potential to produce economic benefits.

54 On the other hand, it could be argued that updating the measurement of assets to reflect increased potential to produce economic benefits would be like measuring an asset at a current value instead of based on cost.

Implications for the approaches considered for the subsequent measurement of an asset acquired

55 For the subsequent measurement under a cost model of an asset acquired for variable consideration, the approaches EFRAG TEG has previously considered are:

(a) *An IFRS 9 approach* under which the subsequent adjustment of a liability would be **recognised in profit or loss** (this would be in accordance with the arguments presented in paragraphs 12 to 29 above).

(b) *An IFRIC 1 approach* under which the subsequent adjustment of a liability should be added to, or deducted from, the **cost of the related asset.** While IFRIC 1 was issued to deal with a specific circumstance, a general application of the interpretation would result in all changes in a liability being recognised in the cost of the related asset (although this might not have been the intention) (such an approach would be in accordance with the arguments presented in paragraphs 42 to 48).

(c) *An IFRS IC tentative decision approach*[2] under which (for liabilities that are not floating rate liabilities):

(i) adjustments of the financial liability resulting from the amortisation of the financial liability (using the original effective interest rate) correspond to an interest expense that is recognised in profit or loss;

(ii) adjustments of the financial liability that result from the revision of the estimates of payments that were included in the initial measurement of the financial liability should be recognised as an adjustment to the cost of the corresponding asset; and

(iii) adjustments of the financial liability that result from the recognition of variable payments that were excluded from the initial measurement of

[2] See, for example, paragraph 2 of Agenda Paper 02B for the November 2015 IFRS IC meeting.

the financial liability should be recognised as corresponding adjustments to the cost of the asset, to the extent that those payments are associated with future economic benefits to be derived from the asset.

(this approach would be in accordance with the arguments presented in paragraphs 30 - 37 above and paragraphs 52 and 53).

(d) *An IFRS 3 approach* under which it is necessary to distinguish between:

(i) Changes resulting from additional information that the acquirer obtains after the date of the acquisition about facts and circumstances that existed at the acquisition date. For a period not exceeding one year from the acquisition date, such changes shall retrospectively adjust the amounts recognised at the acquisition date to reflect the new information obtained.

(ii) Changes resulting from events after the acquisition date (such as meeting an earnings target or reaching a milestone on a research and development project). Such changes shall be reflected in profit or loss (unless the contingent consideration is classified as equity – in which case the subsequent settlement shall be accounted for within equity).

(As noted above this approach is considered to be a variation of the approach mentioned in (a) above).

Questions for EFRAG TEG

56 Does EFRAG TEG agree with the assessment of the EFRAG Secretariat that the current definition and current guidance on 'cost' do not provide clear directions on whether/when changes in variable consideration should be reflected in the cost measurement of an asset?

57 Does EFRAG TEG think that based on the definition of cost it would be possible to include all subsequent changes in variable consideration in the measurement at cost of the acquired asset if the consideration is not in cash (see paragraph 44 above)?

58 Does EFRAG TEG consider that EFRAG should include an assessment of how the definition of 'cost' should be interpreted in its Discussion Paper and by that limit the number of approaches to consider in the Discussion Paper? If so, how should EFRAG interpret the definition? / Which of the approaches mentioned in paragraph 55 should not be included in EFRAG's Discussion Paper?

59 The EFRAG Secretariat notes that an approach based on the arguments presented in paragraphs 38 - 41 (updating estimates until the asset is ready for its intended use) is currently not envisaged to be presented in EFRAG's Discussion Paper. Does EFRAG TEG consider that an approach based on these arguments should be included in the Discussion Paper (that is, does EFRAG TEG consider that such an approach could receive support from some constituents)? Does EFRAG TEG think that independently of which other approach could be chosen to account for variable consideration, variable consideration that could be argued to relate to having the asset ready for its intended use should be reflected in the measurement of the acquired asset?

60 Does EFRAG TEG consider that it would be helpful if EFRAG's Discussion Paper, in relation to the approaches presented for how to reflect variable consideration in the cost measurement an asset (currently the approaches presented in paragraph 55 above), describes the interpretation of 'cost' they would relate to?

Interdependency between the measurement of an asset and the related liability

61 EFRAG TEG has previously noted that it would not result in useful information if a day-1 gain or loss would be reported when an asset acquired for variable consideration is recognised.

62 A day-1 gain or loss could be recognised if:

(a) A liability for variable consideration would be recognised, but this would not be reflected in the measurement of the acquired asset;

(b) Variable consideration would be reflected in the measurement of the asset acquired but a liability for the variable consideration would not be recognised;

(c) A liability for variable consideration would be recognised and variable consideration would be reflected in the measurement of the asset, but the variable consideration would be measured differently for the liability compared with the asset.

63 It is the assessment of the EFRAG Secretariat that the definition of cost (see paragraph 13 above) would not exclude any liability recognised for variable consideration. If variable consideration would not be included in 'the amount of cash or cash equivalents paid' it would be included in 'other consideration given'. It is therefore the assessment of the EFRAG Secretariat that the scenario mentioned in paragraph 62(a) would not result from the definition of 'cost'.

64 If a liability for variable consideration for variable consideration that depends on the entity's future activity would not be recognised when an acquired asset is initially recognised, the scenario mentioned in paragraph 62(b) could happen if the definition of 'cost' would require the variable consideration to be included in the measurement of cost. This would be the case if 'other consideration given to acquire an asset at the time of its acquisition' should also include consideration for which a liability does not exist. It is, however, the assessment of the EFRAG Secretariat that the definition of 'cost' would not require consideration for which a liability does not exist to be included in 'cost' as the entity could not be considered to have given anything if a liability would not exist. Accordingly, the EFRAG Secretariat assesses that the scenario mentioned in paragraph 62(b) would also not result from the definition of 'cost'.

65 The EFRAG Secretariat on the other hand assesses that the scenario mentioned in paragraph 62(c) exists. The situation would thus arise if the consideration given to acquire an asset is not cash, but results in a liability measured in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* (for example, variable consideration in Bitcoins). In that case, the variable consideration should be measured at fair value for the purpose of measuring the acquired asset, but the resulting liability should be measured in accordance with IAS 37.

Questions for EFRAG TEG

66 Does EFRAG TEG agree with the analyses presented in paragraphs 63 to 65?

From limited outreach activities perform at the beginning of this project, it is the impression of the EFRAG Secretariat that the issue mentioned in paragraph 65 does not cause any significant practical problems. If this is the case, the EFRAG Secretariat would accordingly only ask EFRAG TEG at a later stage (that is after considering the issues that cause significant practical problems) whether it wants to consider this issue in EFRAG's Discussion Paper.

67 Does EFRAG TEG agree that the issue mentioned in paragraph 65 does not cause any significant practical problems?

68	Does EFRAG TEG agree to consider at a later stage whether it wants to consider the issue in EFRAG's Discussion Paper?
69	Does EFRAG TEG have any other comments relation to the implications of the definition of 'costs' for EFRAG's Discussion Paper?