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Objective

- 1 The objective of this session is to receive input from EFRAG TEG on the outlined first two chapters of the Discussion Paper ('the DP') on variable consideration and receive directions for the discussions on how to measure a liability for variable consideration and how to measure, initially and subsequently, goods and services received in exchange for variable consideration when these goods and services are measured at cost.

Simplifications

- 2 Since EFRAG TEG last discussed the project on variable consideration, the EFRAG Secretariat has been trying to simplify the DP. This includes reducing the number of different alternatives to account for variable consideration to be presented in the Discussion Paper and reconsidering the structure of the DP.
- 3 Previously, the DP included a chapter for each of the main issues identified with variable consideration it was decided to focus on. The revised structure currently includes three main sections:
 - (a) Recognition of a liability for variable consideration;
 - (b) Measurement of a liability for variable consideration; and
 - (c) Measurement goods and services acquired for variable consideration.
- 4 Within these main sections, the identified issues are then considered.
- 5 As further explained in the agenda papers for this session there are particular issues related to variable consideration for the acquisition of a business. Business combinations have accordingly been excluded from the scope of the DP.
- 6 Also, the two chapters of the outlined DP provided for the session do not consider transactions in which an entity is paying with its own equity instruments. In a future discussion, EFRAG TEG will have to consider whether such transactions should be included in the scope of the DP or not.

Background

- 7 The project on variable consideration was added to EFRAG's research agenda following the 2018 EFRAG Research Agenda Consultation. The aims of the project are:
 - (a) To identify the accounting issues around variable and contingent consideration for acquired goods or services (i.e. considered part of the exchange transaction);

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- (b) To outline the information needs for users of financial statements in regard to variable and contingent consideration based on the objectives of general-purpose financial reporting in the IASB's Conceptual Framework for Financial Reporting and consultation with the EFRAG User Panel;
- (c) To summarise and compare the requirements in IFRS Standards and assess the rationale (or lack thereof) for any differences;
- (d) To develop accounting alternatives and illustrate their relevant strengths and limitations; and
- (e) To consider improvements in presentation and disclosure.

Agenda Papers

- 8 In addition to this cover note, agenda papers for this session are:
- (a) Agenda paper 02-02 – Issues Paper on the way forward for the Discussion Paper on variable consideration; and
 - (b) Agenda paper 02-03 – Chapter 1 and Chapter 2 of outlined Discussion Paper on variable consideration.