Liberté • Égalité • Fraternité
RÉPUBLIQUE FRANÇAISE

Conseil National de la Comptabilité

3, Boulevard Diderot
75572 PARIS CEDEX 12

Téléphone **01 53 44 52 01**

Télécopie **01 53 18 99 43/01 53 44 52 33**

Internet http://www.cnc.minefi.gouv.fr

Mel jean-francois.lepetit@cnc.finances.gouv.fr

Le Président
JFL/MPC

n° 727

PARIS, 11 DECEMBER 2007

Mr. Stig Enevoldsen
EFRAG
13-14 Avenue des Arts
1210 BRUSSELS
Belgium

Re : Revenue Recognition – A European Contribution

Dear Stig,

The Conseil National de la Comptabilité (CNC) examined the Pro-Active Accounting Activities in Europe (PAAinE) Discussion Paper on Revenue Recognition. The CNC considers that the method proposed in the Discussion Paper which consists in defining different approaches of revenue recognition is considered to be of great value.

1. The Conseil National de la Comptabilité (CNC) recognises that there are weaknesses in the current accounting standards relating to revenue recognition.

The CNC generally agrees with the current accounting standards relating to revenue recognition, i.e. IAS 11 and IAS 18, although the CNC recognises that there are weaknesses in these existing IASB revenue recognition standards. Not all the difficulties have been resolved for these two standards, notably regarding their respective scope, e.g. for service contracts in which specificity is difficult to determine, and for activities which combine services and goods. « Multiple element arrangement » contracts and the presentation of revenue (principle versus agent) need also to be clarified.

In order for readers to have a better perspective of the issues concerned, it would perhaps have been useful to provide

- an analysis of the underlying characteristics of these standards (e.g. contract, progress or completion of the exchanged promises, ultimate enforceable rights and obligations upon completion, customer consideration, transfer of risks and rewards and derecognition/recognition of assets)

- a typology of the current difficulties (evidence of the contract, scope of the various recognition methods, multiple element arrangements, measurement) enabling to distinguish between questions inherent to any revenue standard from those specific to the current literature.

2. The CNC supports the objective of defining a general principle of revenue recognition provided it results in increased robustness and usefulness.

The CNC supports the pragmatic analysis made in the European Discussion Paper.

On the one hand, it is useful defining revenue, and thereby challenging implicit representation of this figure and its importance to both users and preparers. On the other hand, it is relevant searching for a common approach for revenue recognition to deal with services activities and sales of goods in order to alleviate the difficulties with the scopes of the two current standards IAS 11 and IAS 18 is equally important.

However, the CNC considers that delivering this target will be incomplete without clear evidence of the superiority of any modified definition and approach in terms of robustness and usefulness to users, and without the negative side effects linked to its implementation. In case of difficulties to establish a general principle of revenue recognition, the PAAinE should fall back on a solution which consists in remedying identified problems mentioned above in the two existing standards.

3. The CNC supports the discussion of approaches based on customer consideration and encourages further reflexion.

In this context, the CNC supports the discussion of different approaches (from A to D) of revenue recognition with characteristics similar to those currently implemented for revenue recognition, notably that customer consideration ultimately be recovered.

Nevertheless, the CNC considers that further work is necessary on this subject in the following areas.

3.1 Definition of revenue

Regarding the definition of revenue, the CNC recognises that the analysis of the relationship between revenue and the variation of assets and liabilities is a fundamental subject which provides a structured approach to revenue recognition. The recognition of revenue requires an increase in asset, the nature of which should be determined by reference to the research into the IASB Framework project on the definition of an asset. An increase in asset does not necessarily solely generate a revenue.

3.2 Contract with customer

Regarding the contract with a customer, the CNC agrees that revenue recognition requires having a contract with a customer and at least some activity required in the promised exchange. Defining a contract and its required characteristics is fundamental to revenue recognition during the progression of a contract, and in particular, the continuous assessment of the fullfilment of both supplier and customer promises.

3.3 Contract breakdown : recognition and measurement

The Discussion Paper raises the issue of whether the contract should or could be broken down into components, in order to measure the performance of the supplier. The CNC considers that further work is required to determine the basis for such a breakdown for both supplier and customer promises in their respective balance sheets, and its consequences with respect to the assets being recognised/derecognised. Consequences on measurement are also an important part of the work to be undertaken.

3.4 Continuous approach - Asset representing production in process

The conceptual basis for recognition of the asset representing production in progress needs to be developed, taking into account the IASB's current thinking on the definition of assets in the conceptual framework project. For example, paragraphs 4.36 and 4.37 identify difficulties with respect to the assets that might be recognised without proposing any solution.

3.5 Continuous approach – Assessment of contract progression

Specifying ongoing margin and revenue recognition merits further investigation. The difficulties are mainly the assessment of the degree of progression of the contract. This however raises the question of the nature of the recognition, if any, of an activity prior to the exchange of promises or prior to « enforceable rights and obligations ».

4. Conclusion

The work undertaken in the Discussion Paper is of great value. Nevertheless, in order to encourage further analysis, the CNC suggests, in addition to the already mentioned points, that it is now necessary to take into account the IASB's current thinking on revenue recognition based on the definition of assets and on its variations. The four approaches of revenue recognition developped in the Discussion Paper should be put in perspective with those undertaken by the IASB.

The CNC is not in favour of a model based on changes in assets and liabilities as described in the « fair value measurement model » developped by the IASB. The exit price measurement objective reflects a view of revenue recognition which we do not support, because the exit price is the equivalent of recognising a sale of the asset whereas the entity may not have satisfied the performance conditions for the recognition of a sale.

We hope you find these comments useful and would be pleased to provide any further information you might require.

Yours sincerely,

Jean-François Lepetit

ANSWERS TO QUESTIONS

Question 1

It is stated in the discussion paper (paragraphs 1.4 - 1.10 and Appendix II) that there are weaknesses in the IASB's existing revenue recognition standards, IAS 11 and IAS 18. In particular, the standards do not address certain types of transaction (for example they say little about multiple-element arrangements), they are based on different principles (which leads to inconsistencies and uncertainties and makes it difficult to know how to use the standards to fill the gaps) and there are internal inconsistencies within IAS 18. The paper goes on to say that these gaps, inconsistencies and uncertainties are causing real practical problems. Do you think these comments about the existing standards are fair? (If you do not, could you please explain which comments you think are not fair and why.) Do you have any additional concerns about existing standards? (If you do, please could you explain them.)

Generally, the CNC is satisfied with the current accounting standards relating to revenue recognition, i.e. IAS 11 and IAS 18.

Nevertheless, the CNC recognises that there are weaknesses in these existing IASB revenue recognition standards. Not all the difficulties have been resolved for these two standards, notably regarding their respective scope, e.g. for service contracts in which specificity is difficult to determine, and for activities which combine services and goods. « Multiple element arrangement » contracts and the presentation of revenue (principle versus agent) need also to be clarified.

We concur with the weaknesses identified by the paper of the existing revenue recognition principles, and more specifically :

- As stated in paragraphs 1.5 and II.7, the boundaries between the sale of goods and the rendering of services or between services and construction contracts are unclear.

  We believe this arises, as rightly emphasised in II.11-a, from a lack in clarity of the paragraphs attempting a definition of guidance scopes in IAS 18 and IAS 11.

  - IAS 18.3 - *"Goods includes goods produced by the entity for the purpose of sale and goods purchased for the purpose of resale, such as merchandise purchased by a retailer or land or other property held for resale"*
  - IAS 18.4 - *"The rendering of services typically involves the performance by the entity of a contractually agreed task over an agreed upon period of time (…)"*
  - IAS 11.3 – *"A construction contract is a contract specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use"*.

  Goods are not defined. They are illustrated by physical goods blurring the distinction with services.

  Rendering a service might result in a deliverable (e.g. an opinion, a software or an installation) at the end of the process.

The roles of the contract (*"a contractually agreed task"*), its specificity (*"contract specifically negotiated"*) and the period of performance (*"over an agreed period of time"*) are unclear basis for the categories set out by IAS 18 and IAS 11.

- As stated in paragraph 1.5, the developments over the identification of the unit of account are both limited (IAS 18.13 and IAS 11.7 and foll., or the recent developments of IFRIC 12 and IFRIC 13) and unclear about the basis for unbundling / bundling transactions (negotiation, interrelation, identifiable components, customer perspective, etc.).

- As stated in paragraph 1.7, unclear scoping and variations in the recognition criteria (transfer of risks and rewards) result in conflicting guidance for the more complex transaction.

  We believe this difficulty is increasingly common as the current business environment encourages the development of contracts increasingly mixing various components or embedding the supply of various elements in an overall performance obligation.

  In particular, questions of interpretation on the scope of IAS 11 and IAS 18 are often brought up. This is the case for example for service contracts in which specificity is difficult to determine, and also for activities which combine services and goods. In some sectors, business development towards more global offers increases the frequency and complexity of this question. The recent IFRIC Draft Interpretation D 21 concerning real estate contracts provides evidence of this.

  Sales of goods within the scope of IAS 18 are more consensual, to the exception of the « multiple element arrangements ».

- As stated in 1.7 and 1.8, looking to US GAAP or referring to elements of the framework (matching of costs and revenues, revenue earnings, reliability, etc.) are no substitute for a unified principle based standard.

Question 2

Paragraph 1.20 states that the objective of the paper is to develop a framework within which to address revenue recognition issues in a consistent way. Paragraph 1.26 explains further that the ultimate objective of the revenue recognition debate should be to develop a set of principles that can be applied to all kinds of industries and business. In other words, rather than have different, competing principles like we do now, we would have a single principle or a single set of principles that apply generally and can be used to address any future gaps in standards.

(a) Do you believe this is an appropriate and realistic objective? (If you do not, please could you explain your reasoning and what you believe is an appropriate and realistic objective.)

(b) Although the objective is to develop principles that can be applied to all kinds of industries and businesses, the paper does not explore sector-specific issues in any detail; the analysis and discussion is generic and not based on any particular sector. (For example, the paper's only reference to financial institutions is to note, in paragraph 1.26, that banks and insurers do not present a revenue number and to observe that it is outside the scope of the paper to consider whether such entities should present a revenue number and what such a number should represent were it to be provided.) Do you believe this approach is appropriate? If you do not, please could you explain which sector-specific issues the paper should explore and why you think that would

improve the quality of the analysis.

The CNC would like to see a global standard on revenue recognition, applicable to any business sectors as it does not support the creation of separate approaches by sector (i.e. one standard for banks, one for insurance, etc.), or even by product (construction services, other services, derivatives and other financial assets or liabilities). Consequently, the CNC supports the idea of defining a general principle for revenue recognition.

Regarding the bank and insurance actors, the CNC notes that these industries have been left out, because they do not publish a top-line figure, as mentioned in paragraph 1.26. However banks and insurance companies have activities which generate turnover, even if this is presented differently and the CNC believes that revenue recognition questions specific to their activities could have enriched the debate.

Furthermore, in its response to the Discussion Paper Insurance Phase 2, the CNC affirmed its view that the insurance business deals with long-term contracts.

We agree that having a single set of principles that apply generally and can be used to address any future gaps in standards is an appropriate and reasonable objective, as the weaknesses previously mentioned illustrate the lack of conceptual basis for the variations in the existing literature.

However, the CNC considers that delivering this target will be incomplete without clear evidence of the superiority of any modified definition and approach in terms of robustness and usefulness to users, and without the negative side effects linked to its implementation.

We understand the choice made in the Discussion Paper not to elaborate on profit recognition and revenue measurement to keep the project focused on what revenue is and what triggers its recognition. We also note that 1.25 states that "the discussion in the paper is about which items to recognise and at what amount *in the top line of the income statement"*. Although we agree that such a choice does not necessarily flaw the Discussion Paper, it does limit the analysis. Furthermore, because of the way the current framework (FW 92-93) ties income and revenue recognition together and states that income is recognised simultaneously with the increases in assets or decreases in liabilities, we are uncertain about the consequence of the Paper's statement.

Question 3

Chapter 2 of the paper discusses what revenue is. It does so by examining what the Framework says about revenue (paragraphs 2.5 - 2.13) and what other attributes revenue should have (paragraphs 2.14 - 2.33). It concludes that:

(a) Revenue is a particular type of increase in assets or decrease in liabilities.

The CNC agrees with this statement.

The CNC recognises that the analysis of the relationship between revenue and the variation of assets and liabilities is a fundamental and difficult subject which provides a structured approach to revenue recognition. The recognition of revenue is linked to an increase in an asset, the nature of which should be determined by reference to the research in the framework project on the definition of an asset.

In conclusion, this definition should be more precise, especially with respect to the expression "a particular type" which implies that not all variations of assets and liabilities give rise to revenue.

(b) Revenue is a gross notion. In other words, if an entity sells an item for €10, making a profit of €2, it will be the €10 rather than the €2 that will be recognised as revenue.

The CNC agrees that revenue should be determined as a gross amount. Where the supplier is a principal in the transaction, this gross amount should be equal to the amount received from the client.

(c) Revenue does not necessarily arise only from enforceable rights and obligations.

Regarding the contract with a customer, the CNC agrees that revenue recognition requires having a contract with a customer and some, if not all, activity required in the promised exchanges. Defining a contract and its required characteristics is fundamental to revenue recognition during the progression of a contract, and particularly, the continuous assessment of the ultimate fullfilment of both the supplier and the customer promises.

(d) Revenue is some sort of measure of activity undertaken pursuant to a contract with a customer. Therefore, without a contract there can be no revenue. Furthermore, revenue will not arise simply from entering into the contract, because at that point there will have been no activity undertaken by the supplier pursuant to the contract.

The CNC agrees that revenue is some sort of measure of activity undertaken pursuant to a contract with a customer and that without activity no revenue should be recognised. This raises however the question of the nature of the recognition if any of an activity prior to the exchange of promises or prior to « enforceable rights and obligations ».

The CNC would like to point out that revenue could arise upon entering into the contract in the D Approach, if some activity has been realized prior to the contract depending on the choices made for measuring progress towards completion.

(e) Revenue does not necessarily involve an exchange.

In the D Approach, the CNC agrees that once a contract (which is an exchange of promises) has been put into force, revenue recognition does not necessarily imply a physical exchange (delivery) with a third party. Nevertheless, the CNC remains unclear about whether approach D requires explicitly or implicitly a form of exchange of promises during the life of the contract.

For the A Approach, we consider that this physical exchange is necessary to recognise revenue as this approach appears linked to a form of derecognition of the "contract asset".

(f) Revenue is something that arises in the course of ordinary activities.

The CNC agrees that this concept enables a differentiation to be made between profit and revenue, and that such a distinction is useful as it will reflect the industry and business model of an entity.

(g) On the basis of the conclusions summarised above, a working definition of revenue is that revenue is the gross inflow of economic benefits that arises as an entity carries out activities pursuant to a contract with a customer.

Do you agree with these conclusions? (If you do not, please could you state which conclusion you do not agree with and explain your reasoning.)

Do you believe that revenue has some additional attributes that should have been referred to? (If you do, please could you describe those additional attributes and explain your reasoning.)

The CNC considers that only in the D Approach does revenue arise when an entity carries out its activities pursuant to a contract with a customer. The CNC would suggest keeping the notion of ordinary activities as "customer" does not necessarily embody this notion. It seems that this definition would read differently with the A Approach (it would read "has carried out").

The CNC considers that uncertainty (risks, uncertainty of cash inflows which may be due to the terms of the contract, timing or recoverability) must be taken into account in recognition and measurement of revenue.

Question 4

As mentioned in Q3(d), revenue is some sort of measure of activity undertaken pursuant to a contract with a customer. However, the paper's analysis is not conclusive as to exactly what "sort of measure of activity" revenue measures; it could for example be a measure of completion activity (in other words, a measure of the things the supplier has completed) or a measure of activity towards completion (in other words, a measure of the things the supplier has done under the contract). This issue arises again and again in the paper and is the main issue that separates the critical event approaches discussed in Chapter 3 from the continuous approaches discussed in Chapter 4. The authors believe that a very important test of any proposed accounting solution is whether it is the most useful approach from a user perspective. Which activities do you believe the revenue number should measure: completion, or activity towards completion? Or are there other alternatives that need to be considered? (Please give your reasons for the answer you have given.)

The issue about what sort of measure of activity "revenue" is about illustrates the remark made in the DP's introduction. There may not be today a clear or shared view about what "Revenue" should describe despite the general agreement about the importance of this topline. In that respect, the CNC finds the DP's analysis of different approaches (A to D) to revenue very useful as it helps the readers question their representations of the attributes attached to revenue.

- Approaches A-C link revenue recognition to the occurrence of an event, such as the delivery of manufactured goods to a customer. This event could be associated (beyond contract and completion of activity) to the derecognition of the contract asset linked to the supplier's promise and the recognition of the contract asset (an enforceable right to consideration) linked to the customer's promise, once a very high level of assurance about the satisfaction of both promises has been obtained.
- Approach D allows revenue to be recognised as the contract is performed for the customer. Under this approach, the contract is viewed as an exchange of promises which present a sufficient degree of being realized (or the contract would not have been entered into). Revenue depicts the fact that both the contract and the realization of an activity are the lifeblood of any business. There is no conceptual reason to equate revenue (and income) with the delivery / derecognition of "contract asset" linked to the supplier's promise.

When the realisation of a contract is spread over several accounting periods, Approach D would provide, in general, a more relevant figure of the business activity. This raises potentially the question of the nature and measurement, if any, of an activity prior to the exchange of promises or prior to presently « enforceable rights and obligations ».

The CNC considers positively that in the different approaches

- the nature of the supplier's promise (goods or services, generic or specific) should not influence the way revenue is recognised over time as it does at present under IAS 18 and IAS 11 which differentiate sales of finished goods, sales of services and construction contracts ;
- revenue on a contract is ultimately the customer's consideration.

Nevertheless, the CNC considers that further work is necessary, notably regarding the definition of revenue, the notion of contract, the initial and subsequent recognition - derecognition during the progression of a contract.

Question 5

Chapter 3 discusses when revenue arises and, in doing so, introduces various critical event approaches to revenue recognition and explores three of them (Approaches A, B and C) in detail.

(a) Do you believe the discussion of Approaches A to C is fair and complete? For example, do you believe that one of the approaches has some additional benefits or weaknesses that have not been mentioned? Or that some of the weaknesses mentioned are not weaknesses? (If you do, please could you explain what you think is unfair and incomplete about the discussion, together with your reasoning.)

The CNC has not identified additional weaknesses or benefits to Approaches A-C.

In approaches B and C, the Discussion Paper raises the issue of whether the contract may be broken down into components, in order to measure the performance of each. The CNC considers that further work is required to characterise the basis for such a breakdown and how it could be implemented.

(b) Do you believe there are any critical event approaches other than Approaches A to C that have merit and are worth exploring in greater detail? (If you do, please could you describe those approaches and explain why you think they are worth exploring further.)

The CNC has not identified any critical event approaches other than Approaches A to C that have merit and are worth exploring in greater detail.

Question 6

Chapter 4 continues the discussion of when revenue arises by introducing and exploring another type of approach to revenue recognition: the continuous approach (Approach D). Again, do you believe the discussion is fair and complete? (If you do not, please could you explain what you think is unfair and incomplete about the discussion, together with your reasoning.)

The CNC considers that in general where a contract is spread over several accounting periods, then the continuous approach seems appropriate, irrespective of the nature of the goods delivered, products or services, specific or not, because it enables revenue to be recognised as the contract is performed without waiting for final delivery. The CNC does not support the approach which consists of recognising in profit and loss the estimated margin at the date of the sale of the service contract.

At this stage, the CNC advises further reflexion on the subject. We suggest that additional analysis concerning initial and subsequent recognition during the contract and at final delivery be taken into account for those contracts spread over time.

On the one hand, the conceptual basis for recognising the asset representing production in progress needs to be developed, taking into account the IASB's current thinking on the definition of assets in the conceptual framework project. For example, paragraphs 4.36 and 4.37 identify difficulties with respect to the assets that might be recognised without proposing any solution.

On the other hand, specifying on-going margin and revenue recognition merits further investigation. The difficulties are mainly the assessment of the progression of the contract. This raises however the question of the nature of the recognition if any of an activity prior to the exchange of promises or prior to presently « enforceable rights and obligations ».

Lastly, the Discussion Paper raises the issue of whether even under the continuous approach the contract needs to be broken down into components, in order to measure the revenue of each one of them. As already mentioned for approaches B and C, the CNC suggests that further work on the exact implementation of this breakdown.

The CNC understanding of this particular approach is illustrated hereafter.

A customer orders a chair which the supplier will need to manufacture.

The price of the chair is 100, broken down as follows :
Raw materials : 40
Labor : 40
Margin : 20
Raw materials delivery : 29 November N
Contract order : 30 November N
50% of the chair made on 31 December N
Chair ready for delivery : 15 January N+1
Delivery made 1st February N+1

Raw materials delivery 29 November N :

P/L – Purchase raw materials	40	
B/S – Cash	40	
B/S – Raw materials stocks	40	
P/L – Stocks variations		40

Progress report on chair making on 31 December N :

Paying 50 % of salaries :

P/L –Wages	20	
B/S – Cash		20

State of progression of personnel expenses :

B/S – Chair in-progress	20	
P/L – Revenue		20

State of progression of raw materials purchases :

P/L – Stocks variations	40	
B/S – Raw materials stocks		40
B/S – Chair in-progress	40	
P/L – Revenue		40

State of margin as percentage of project progression (50 % based on manufacturing personnel expense only) :

B/S – Chair in-progress	10	
P/L –Revenue		10

At December 31 N, the balance is :

Assets : ,

- Chair in-progress : 70
- Cash : minus 60

The profit and loss statements shows raw materials for 40, wages for 20, revenue for 70. The net result is the margin of 10.

In January N+1 :

Paying 50 % of salaries :

P/L –Wages	20	
B/S – Cash		20

State of progression of personnel expenses :

B/S – Chair in-progress	20	
P/L – Revenue		20

State of margin as percentage of project progression (50 %) :

B/S – Chair in-progress	10	
P/L – Revenue		10

At January 31, N+1, the balance is :

Assets :

- Chair in-progress : + 30
- Cash : minus 20

The net result is the margin of 10.

Delivery on 1st February N+1 :

B/S – Account receivables	100	
B/S – Chair in-progress		100

In the above illustration, we chose to recognise revenue for that portion of prior activity represented by the allocation of raw material to the contract, and not to apportion margin to it.

This accounting outline reflects a continuous approach which raises the following remarks :

- the rhythm of revenue and margin assessment in the profit and loss statement is the key to this approach. More accurate rules for evaluation should be determined ;
- certain assets such as raw materials held before the customer's contract are reassigned to the

contract asset as manufacturing begins. This is important as prior activities may be of very different nature: R&D, design, commercial, purchases, manufacturing (and obey different asset recognition rules). Their inclusion in the measurement of progress towards completion will significantly modify the pattern of revenue recognition. At this stage, the CNC questions whether this is a reallocation of assets, rather than a derecognition of assets.

Question 7

The discussion in the paper is about concepts and principles—and not at this stage practicalities—and the paper uses a variety of simple examples to illustrate the various approaches and various conceptual discussion points. The examples are set out in Appendix IV. Do you believe there are other examples that would illustrate or highlight issues of concept or principle that are not so far identified in the paper? If you do, what are those examples and what new aspect of the debate is it that you think they illustrate or highlight?

Please see the previous answers.

Question 8

What are your views on the relative merits of the approaches discussed in the paper? Do you believe that one approach is preferable to the others and could—perhaps after some further development work—be applied satisfactorily in all circumstances? (Please explain your reasoning.)

Please see the previous answers.

Question 9

At various points in the paper the authors discuss the issue of perspective; from whose perspective or point of view (ie through whose eyes) should performance be assessed? The suppliers or the customers? For example:

(a) the issue is first mentioned in paragraphs 3.36-3.39, where it is explained that one perspective is not necessarily better than the other, although one may be better suited (or even an inherent feature) of one particular approach, whilst another might be better suited or a feature of another approach;

(b) the issue is also discussed in paragraphs 4.4(c), 4.5(b) and 5.7(c), where it is explained that critical event approaches generally (but not necessarily always) apply a customer perspective whilst continuous approaches tend to apply a supplier perspective.

In your opinion is this discussion complete and sufficiently conclusive? If you think it is not, could you please explain what more you think should be said and why.

Please see the previous answers.

Question 10

Do you believe there are particular aspects of the revenue debate that have not been covered in this paper but are worthy of consideration. If you do, what are they and why do you believe they are worth exploring further?

Please see the previous answers.

The CNC suggests the customer's promise to pay also be discussed and this separately from the supplier promise to deliver.

This would help clarify the place given in the various analyses of the contractual payment clauses.

This should also provide insights concerning what revenue constitute when there is less than a presently "enforceable and unconditional right to consideration".

Lastly, this might provide a better description of the status of a contract.