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## Feedback statement on variable consideration

### Cover Note

#### Objective

- 1 The objective of this session is to present the feedback received in response to EFRAG's Discussion Paper [Accounting for Variable Consideration—From a purchaser's perspective](#) ('the DP') and for the EFRAG FRB to decide on whether EFRAG should develop any recommendations following the feedback. The EFRAG FR TEG has recommended not developing such recommendations. Instead, EFRAG should, in addition to issuing a feedback statement summarising the input received, use the input when considering current and future IASB projects (e.g., *Equity Method, Provisions—Targeted Improvements* and *Intangible Assets*).

#### Background

- 2 In September 2022, EFRAG issued the DP. The deadline for commenting on the DP was extended to 30 November 2023. Comments could be provided in response to the DP by submitting a comment letter or by completing an electronic survey. 13 comment letter responses were received from constituents within and outside the EU.
- 3 EFRAG also gathered input on the DP through a targeted outreach consisting of nine outreach events and meetings with stakeholders including presentations at the IASB ASAF meeting and by hosting a webinar that drew the perspectives of expert stakeholders.
- 4 The input received from the comment letters and outreach is summarised in the draft feedback statement (agenda paper 08-02).

#### Considerations on whether to include recommendations

- 5 When EFRAG issued its feedback statements in relation to its discussion papers on accounting for crypto assets (liabilities) and better information on intangibles it included some tentative recommendations to the IASB based on the EFRAG FR TEG and FRB redeliberations on the feedback received. This was a departure from prior Discussion Papers, where only Feedback Statements without recommendations were published after consultation periods. The question arises whether EFRAG should similarly issue recommendations for the variable consideration project.
- 6 At its 15 February 2024, EFRAG FR TEG suggested not issuing any recommendations. EFRAG FR TEG members noted that:

- (a) the feedback received pointed in different directions; and
  - (b) that the amount of feedback received was insufficient to make such recommendations.
- 7 In addition to these comments, the EFRAG Secretariat notes that:
- (a) As the IASB did not retain this project in its research pipeline following the 2021 Agenda Consultation, it seems unlikely to initiate a project in the next three years. Moreover, this project is unlike the intangibles project and crypto-assets project, whereby the recommendations can have near to medium-term impacts. Recommendations based on the *Better Information for Intangibles DP* can influence the envisioned IASB intangibles research project while recommendations based on the *Accounting for Crypto-Assets (Liabilities) DP* can influence the consideration of digital assets within the scope of the IASB intangibles project. Furthermore, the accounting for crypto-assets has been on the agenda of various national standard setters and EFRAG's recommendations were timely.
  - (b) Related to point (a) above, in September 2023, taking account of the limited staff resources and the need to address existing reactive and under-development high-priority proactive workplan projects (connectivity and cash flow reporting), the EFRAG FRB categorised variable consideration as a medium-priority project.
  - (c) The feedback received generally shows that variable consideration should be considered on a Standard-by-Standard level including through projects on the current IASB workplan (e.g., *Equity Method, Provisions—Targeted Improvements and Intangible Assets*). The EFRAG Secretariat thus notes that, as acknowledged by several respondents, the Discussion Paper along with the feedback can be a useful first step and an important reference for EFRAG (and the IASB) when providing input on (and developing) specific standards. Of note, EFRAG will present the feedback statement at the March 2024 ASAF meeting.
  - (d) The feedback highlights that additional issues might also have to be considered, such as measurement issues, possible disclosures and addressing the economic substance of the transactions in any recommendations made to the IASB for standard-setting action. Hence, it is likely that significant further work (e.g., EFRAG meetings) would be needed to craft suitable and actionable recommendations.
- 8 In addition to providing views on whether EFRAG should issue recommendations based on the feedback received, some EFRAG FR TEG members noted that the feedback was rich. One EFRAG FR TEG member recommended EFRAG to consider whether it should ask the IFRS Interpretations Committee for an interpretation of the definition of 'cost' included in several IFRS Accounting Standards. The member noted that different interpretations of this definition was the main cause of the issues related to how to account for variable consideration. The definition of cost would go beyond how to account for variable consideration and would thus be relevant for additional projects.

**Questions for EFRAG FR TEG**

- 9 Does the EFRAG FRB have any comments on the input received in response to the DP?
- 10 Does EFRAG FRB agree with the EFRAG FR TEG not to provide recommendations based on the input received in response to the DP?

**Next steps**

- 11 This draft feedback statement will be further edited before it is issued to enhance the presentation and readability of the content.
- 12 EFRAG will present the feedback received in response to the DP at the March 2024 ASAF meeting.

**Agenda Papers**

- 13 In addition to this cover note, agenda paper 08-02 – *Draft Feedback statement on EFRAG DP Accounting for Variable Consideration* – has been provided for the session.