

Onerous Contracts – Cost of Fulfilling a Contract

Proposed amendments to AASB 137

Comments to the AASB by 22 March 2019



Australian Government

**Australian Accounting
Standards Board**

How to Comment on this AASB Exposure Draft

Constituents are strongly encouraged to respond to the AASB and the IASB. The AASB is seeking comment by 22 March 2019. This will enable the AASB to consider Australian constituents' comments in the process of formulating its own comments to the IASB, which are due by 15 April 2019.

Formal Submissions

Submissions should be lodged online via the “Work in Progress – Open for Comment” page of the AASB website (www.aasb.gov.au/comment) as a PDF document and, if possible, a Word document (for internal use only).

Other Feedback

Other feedback is welcomed and may be provided via the following methods:

E-mail: standard@asb.gov.au
Phone: (03) 9617 7600

All submissions on possible, proposed or existing financial reporting requirements, or on the standard-setting process, will be placed on the public record unless the Chair of the AASB agrees to submissions being treated as confidential. The latter will occur only if the public interest warrants such treatment.

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AASB REQUEST FOR COMMENTS

The Australian Accounting Standards Board's (AASB's) policy is to incorporate International Financial Reporting Standards (IFRSs) into Australian Accounting Standards. Accordingly, the AASB is inviting comments on:

- (a) any of the proposals in the attached International Accounting Standards Board (IASB) Exposure Draft, including the specific questions on the proposals as listed in the Invitation to Comment section of the attached IASB Exposure Draft; and
- (b) the 'AASB Specific Matters for Comment' listed below.

AASB Specific Matters for Comment

The AASB would particularly value comments on the following:

- 1. whether there are any regulatory issues or other issues arising in the Australian environment that may affect the implementation of the proposals, particularly any issues relating to:
 - (a) not-for-profit entities; and
 - (b) public sector entities, including GAAP/GFS implications;
- 2. whether, overall, the proposals would result in financial statements that would be useful to users;
- 3. whether the proposals are in the best interests of the Australian economy; and
- 4. unless already provided in response to specific matters for comment 1 – 3 above, the costs and benefits of the proposals relative to the current requirements, whether quantitative (financial or non-financial) or qualitative. In relation to quantitative financial costs, the AASB is particularly seeking to know the nature(s) and estimated amount(s) of any expected incremental costs, or cost savings, of the proposals relative to the existing requirements.

December 2018

IFRS® Standards

Exposure Draft ED/2018/2

Onerous Contracts— Cost of Fulfilling a Contract

Proposed amendments to IAS 37

Comments to be received by 15 April 2019

IASB®

 IFRS®

Onerous Contracts—Cost of Fulfilling a Contract

Proposed amendments to IAS 37

Comments to be received by 15 April 2019

Exposure Draft *Onerous Contracts—Cost of Fulfilling a Contract* (Proposed amendments to IAS 37) is issued by the International Accounting Standards Board (Board) for comment only. The proposals may be modified in the light of comments received before being issued in final form. Comments need to be received by 15 April 2019 and should be submitted in writing to the address below, by email to commentletters@ifrs.org or electronically using our ‘Open for comment’ page at: <http://go.ifrs.org/open-for-comment>.

All comments will be on the public record and posted on our website at www.ifrs.org unless the respondent requests confidentiality. Such requests will not normally be granted unless supported by good reason, for example, commercial confidence. Please see our website for details on this and how we use your personal data.

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Introduction

In this Exposure Draft, the International Accounting Standards Board (Board) proposes to amend IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. The amendments specify the costs an entity includes in determining the ‘cost of fulfilling’ a contract for the purpose of assessing whether a contract is onerous.

Background

IAS 37 defines an onerous contract as a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. IAS 37 also states that the unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. However, IAS 37 does not specify which costs to include in determining the cost of fulfilling a contract.

The IFRS Interpretations Committee (Committee) received a request to clarify which costs to include in determining the cost of fulfilling a contract. In particular, the request referred to construction contracts. These were previously within the scope of IAS 11 *Construction Contracts*, which included requirements for onerous construction contracts. IAS 11 has now been withdrawn and, for annual reporting periods beginning on or after 1 January 2018, an entity applies IAS 37 to assess whether such contracts are onerous.

The Committee observed that there were different views on which costs to include applying IAS 37. Such different views could lead to material differences in the financial statements of entities that enter into some types of contracts. Consequently, the Committee recommended that the Board clarify which costs to include in determining the cost of fulfilling a contract. The Board agreed with the Committee’s recommendation.

Invitation to comment

The Board invites comments on Exposure Draft *Onerous Contracts—Cost of Fulfilling a Contract* (Proposed amendments to IAS 37), particularly on the questions set out below. Comments are most helpful if they:

- (a) address the questions as stated;
- (b) indicate the specific paragraph(s) to which they relate;
- (c) contain a clear rationale;
- (d) identify any wording in the proposals that is difficult to translate; and
- (e) include any alternative the Board should consider, if applicable.

The Board is requesting comments only on matters addressed in this Exposure Draft.

Questions for respondents

Question 1

The Board proposes to specify in paragraph 68 of IAS 37 that the cost of fulfilling a contract comprises the costs that relate directly to the contract (rather than only the incremental costs of the contract). The reasons for the Board's decisions are explained in paragraphs BC16–BC28.

Do you agree that paragraph 68 of IAS 37 should specify that the cost of fulfilling a contract comprises the costs that relate directly to the contract? If not, why not, and what alternative do you propose?

Question 2

The Board proposes to add paragraphs 68A–68B which would list costs that do, and do not, relate directly to a contract.

Do you have any comments on the items listed?

Are there other examples that you think the Board should consider adding to those paragraphs? If so, please provide those examples.

Question 3

Do you have any other comments on the proposed amendments?

Deadline

The Board will consider all comments received in writing by 15 April 2019.

How to comment

We would prefer to receive your comments electronically; however, comments can be submitted using any of the following methods:

Electronically	Visit the 'Open for comment' page at: http://go.ifrs.org/open-for-comment
By email	Email comments can be sent to: commentletters@ifrs.org
By post	IFRS Foundation Columbus Building 7 Westferry Circus Canary Wharf London E14 4HD

All comments will be on the public record and posted on our website unless confidentiality is requested. Such requests will not normally be granted unless supported by good reason, for example, commercial confidence. Please see our website for details on this and on how we use your personal data.

[Draft] Amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*

Paragraph 68 is amended and paragraphs 68A–68B, 94A and 105 are added. New text is underlined.

Application of the recognition and measurement rules

...

Onerous contracts

...

68 This Standard defines an onerous contract as a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. The cost of fulfilling a contract comprises the costs that relate directly to the contract.

68A Examples of costs that relate directly to a contract to provide goods or services include:

- (a) direct labour (for example, salaries and wages of employees who manufacture and deliver the goods or provide the services directly to the counterparty);
- (b) direct materials (for example, supplies used in fulfilling the contract);
- (c) allocations of costs that relate directly to contract activities (for example, costs of contract management and supervision; insurance; and depreciation of tools, equipment and right-of-use assets used in fulfilling the contract);
- (d) costs explicitly chargeable to the counterparty under the contract; and
- (e) other costs incurred only because an entity entered into the contract (for example, payments to subcontractors).

68B General and administrative costs do not relate directly to a contract unless they are explicitly chargeable to the counterparty under the contract.

...

Transitional provisions

...

94A [Draft] *Onerous Contracts—Cost of Fulfilling a Contract* (Amendments to IAS 37), issued in [date], amended paragraph 68 and added paragraphs 68A–68B. An entity shall apply those amendments to contracts existing at the beginning of the annual

reporting period in which the entity first applies the amendments (the date of initial application). The entity shall not restate comparative information. Instead, the entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the date of initial application.

Effective date

...

105 [Draft] *Onerous Contracts—Cost of Fulfilling a Contract* (Amendments to IAS 37), issued in [date], amended paragraph 68 and added paragraphs 68A–68B and 94A. An entity shall apply those amendments for annual periods beginning on or after [date to be decided after exposure]. Earlier application is permitted. If an entity applies those amendments for an earlier period, it shall disclose that fact.

Approval by the Board of Exposure Draft *Onerous Contracts—Cost of Fulfilling a Contract* (Proposed amendments to IAS 37) issued in December 2018

The Exposure Draft *Onerous Contracts—Cost of Fulfilling a Contract* (Proposed amendments to IAS 37) was approved for issue by all 14 members of the International Accounting Standards Board.

Hans Hoogervorst Chairman

Suzanne Lloyd Vice-Chair

Nick Anderson

Martin Edelmann

Françoise Flores

Amaro Luiz de Oliveira Gomes

Gary Kabureck

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Takatsugu Ochi

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Mary Tokar

Basis for Conclusions on Exposure Draft *Onerous Contracts—Cost of Fulfilling a Contract* (Proposed amendments to IAS 37)

This Basis for Conclusions accompanies, but is not part of, the proposed amendments. It summarises the considerations of the International Accounting Standards Board (Board) when developing the proposed amendments. Individual Board members gave greater weight to some factors than to others.

Background

- BC1 Paragraphs 10 and 68 of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* define an onerous contract as a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. Paragraph 68 of IAS 37 also states that the unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. However, IAS 37 does not specify which costs to include in determining the cost of fulfilling a contract. Most notably, IAS 37 does not specify whether the cost of fulfilling a contract comprises only the incremental costs of fulfilling that contract, or instead also includes an allocation of other costs that relate directly to the contract.
- BC2 The IFRS Interpretations Committee (Committee) received a request to clarify this matter. The request referred in particular to construction contracts previously within the scope of IAS 11 *Construction Contracts*.
- BC3 IAS 11 specified which costs an entity would include when identifying, recognising and measuring an onerous contract provision for contracts that were within its scope. For annual reporting periods beginning on or after 1 January 2018, IAS 11 was withdrawn. Contracts that were within the scope of IAS 11 are now within the scope of IFRS 15 *Revenue from Contracts with Customers*.
- BC4 IFRS 15 does not include requirements for identifying, recognising and measuring onerous contract provisions. Instead, as noted in paragraphs 5(g) of IAS 37 and BC296 of IFRS 15, an entity applies IAS 37 to assess whether a contract to which it applies IFRS 15 is onerous.
- BC5 The Committee observed that there were different views on which costs to include applying IAS 37. Such different views could lead to material differences in the financial statements of entities that enter into some types of contracts.
- BC6 The Committee noted that the Board has a project in its research pipeline to review IAS 37. It considered whether to recommend that the Board clarify the IAS 37 onerous contract requirements as part of that project. However, it decided that the application of IFRS 15 (and the related withdrawal of IAS 11) makes clarification of the onerous contract requirements urgent. The Committee noted that clarifying those requirements could be a discrete project, capable of being completed more quickly than any wider-scope project to review

other aspects of IAS 37. Accordingly, the Committee recommended that the Board develop proposals to clarify the IAS 37 onerous contract requirements as a separate project.

- BC7 The Board agreed with the Committee's recommendation and decided to propose amendments to clarify the onerous contract requirements in IAS 37.

Scope

- BC8 The Board considered whether it should develop requirements that would apply to all contracts in the scope of IAS 37 or only to contracts in the scope of IFRS 15. Some stakeholders had suggested restricting the scope of any new requirements to contracts in the scope of IFRS 15 because the request to the Committee had arisen for contracts previously in the scope of IAS 11 that are now in the scope of IFRS 15. Those stakeholders noted that restricting the scope of any new requirements in this way would avoid potentially disruptive changes to the accounting for contracts that are in the scope of IAS 37 but not of IFRS 15.
- BC9 The Committee recommended that the Board propose requirements for all contracts in the scope of IAS 37. The Board agreed with the Committee on the grounds that:
- (a) consistent requirements for all contracts would enhance comparability. The types of cost included in assessing whether a contract is onerous would be the same, regardless of whether the contract is in the scope of IFRS 15. In response to feedback from stakeholders, the Board had decided when developing IFRS 15 not to create onerous contract requirements for contracts with customers that are different from the onerous contract requirements in IAS 37—the Board saw no reason to decide the opposite now.
 - (b) clarifying the meaning of 'cost of fulfilling' should reduce any existing diversity in the application of the onerous contract requirements for contracts that have always been in the scope of IAS 37.
 - (c) IFRS 15 applies to more contracts than were previously in the scope of IAS 11. IAS 11 applied to construction contracts and contracts that an entity accounted for using the percentage of completion method. IFRS 15 applies to all contracts with customers, except those listed in paragraph 5 of IFRS 15. Therefore, even if restricted to contracts in the scope of IFRS 15, any new requirements could result in changes for contracts other than those previously in the scope of IAS 11. To avoid such changes, the Board would have to restrict the scope of any new requirements to contracts that were previously in the scope of IAS 11. The Board saw no reason to treat those contracts differently from other contracts with customers.
 - (d) the Board's research on IAS 37 identified that operating leases (as defined in IAS 17 *Leases*) made up a significant proportion of the contracts identified as onerous applying IAS 37. The volume of leases that lessees account for similarly to operating leases will decrease significantly when IFRS 16 *Leases* becomes effective for annual reporting periods beginning

on or after 1 January 2019. Consequently, with fewer contracts in the scope of IAS 37 but not IFRS 15, any changes to the requirements in IAS 37 would be expected to affect fewer contracts.

- (e) proposing to clarify the requirements for only construction contracts or contracts in the scope of IFRS 15 could potentially have raised new questions about the requirements in IAS 37—for example, about whether an entity could or should apply those new requirements to other contracts in the scope of IAS 37.

BC10 The proposed amendments could require some entities to change their accounting policy. An entity would have to change its policy if it previously included only the incremental costs of fulfilling a contract in applying the IAS 37 onerous contract requirements. Changing to a policy of also including other costs that relate directly to the contract could result in the entity recognising onerous contract costs earlier. Contracts affected could include long-term service contracts.

BC11 Nonetheless, for the reasons noted in paragraphs BC9 and BC18–BC20 the Board concluded that the proposed amendments would result in improved financial reporting for all contracts in the scope of IAS 37.

Measurement

BC12 Paragraph 66 of IAS 37 requires an entity to recognise and measure its present obligation under an onerous contract as a provision. The measurement requirements for provisions are specified in paragraphs 36–52 of IAS 37.

BC13 The Board considered whether to develop additional requirements for measuring an onerous contract as part of this project but decided not to do so.

BC14 Broadening the scope of any standard-setting to include measurement could cause the project to take longer. As noted in paragraph BC6, the Committee had identified an urgent need to clarify which costs to include in determining the cost of fulfilling a contract. The Board therefore concluded that any delay would be undesirable. Furthermore, the measurement requirements for onerous contract provisions may not need clarification—an entity could measure an onerous contract provision by including the same costs as it used to identify the contract as onerous.

Economic benefits

BC15 The Board's research on IAS 37 identified that questions sometimes arise about the meaning of 'economic benefits' in the IAS 37 definition of an onerous contract. The Board decided not to address these questions as part of this project because:

- (a) the request to the Committee was prompted by the withdrawal of requirements in IAS 11 for determining cost; new questions have therefore arisen for entities only because of the removal of requirements for determining cost, not for determining economic benefits; and
- (b) expanding the project's scope in this way could cause delay.

The cost of fulfilling a contract

- BC16 The Board considered two approaches to determining the cost of fulfilling a contract:
- (a) the incremental cost approach—includes only the costs an entity would avoid if it did not have the contract, ie the incremental costs of the contract.
 - (b) the directly related cost approach—includes all the costs an entity cannot avoid because it has the contract. Such costs include both the incremental costs of the contract and an allocation of other costs incurred on activities required to fulfil the contract.
- BC17 The Committee recommended to the Board, and the Board decided to propose, amendments that reflect the directly related cost approach.

Useful information

- BC18 The Board concluded that the directly related cost approach provides a more faithful representation of the cost of fulfilling a contract than the incremental cost approach. This is because the directly related cost approach includes *all* costs of fulfilling the contract. An entity can choose to obtain the resources it needs to fulfil a contract in different ways. For example, if an entity needs to use equipment to manufacture goods or provide services, it could hire the equipment for the period required by the contract or buy the equipment and use it for other contracts afterwards. Similarly, if it needs to prepare technical reports, it could engage a professional firm to prepare only the reports needed for an individual contract, or it could employ its own team of experts to prepare the reports for all its contracts. Either way, the entity incurs costs to obtain the use of the equipment or the information in the reports needed to fulfil the contract. Choosing to buy equipment or employ experts that can be used for other contracts or purposes does not mean that the use of the equipment or information necessary to fulfil a contract are cost-free.
- BC19 The incremental cost approach would fail to identify an onerous contract provision when an entity has several contracts that are expected to be profitable individually if the economic benefits are compared with only the incremental costs but are loss-making once shared costs are included. The Board was of the view that this outcome would not provide useful information to users of financial statements.
- BC20 Such an outcome could be avoided within the incremental cost approach by specifying that, if resources required to fulfil contracts are shared across a group of similar contracts, an entity should identify onerous contract provisions by combining the contracts and assessing them as a group. However, assessing groups of similar contracts could mask liabilities for individually onerous contracts. For example, an entity may be a party to a group of similar contracts that are expected to be profitable overall but where the expected incremental cost of fulfilling one of the contracts has increased to more than the expected economic benefits. If the Board were to require an entity to assess groups of similar contracts, the entity would not identify this contract as onerous.

Requirements based on the incremental cost approach might therefore need to specify whether and how an entity should combine contracts when assessing whether they are onerous. Such requirements would add complexity to any amendments to IAS 37.

Consistency with other requirements in IAS 37

- BC21 The incremental cost approach views any costs other than the incremental costs of a contract as costs an entity will incur regardless of whether it fulfils the contract. Therefore, applying the incremental cost approach, such costs are not part of the cost of fulfilling the contract—they are viewed as costs an entity needs to incur to operate in the future.
- BC22 Accordingly, proponents of the incremental cost approach suggest that requiring an entity to include costs other than incremental costs would be inconsistent with other requirements in IAS 37; in particular:
- (a) paragraph 18 of IAS 37, which specifies that no provision is recognised for costs that need to be incurred to operate in the future; and
 - (b) paragraph 63 of IAS 37, which prohibits recognition of provisions for future operating losses. Paragraph 64 explains that future operating losses do not meet the definition of a liability.
- BC23 However, the Board did not agree with this view because:
- (a) in recognising an onerous contract provision, an entity would not be recognising a provision for the costs themselves—ie it would not be identifying the costs as present obligations in their own right. Instead the entity would be recognising its present obligation to deliver goods or services in exchange for other economic benefits, measuring that obligation at an amount that includes all the costs of fulfilling it.
 - (b) paragraph 63 of IAS 37 prohibits an entity from recognising future operating losses because such losses are not a liability; in other words, the entity does not have a present obligation to incur those losses. In contrast, in assessing whether a contract is onerous an entity determines the cost of fulfilling its present obligation under an existing contract.

Consistency with requirements in other Standards

- BC24 The Board also considered requirements in other IFRS Standards, noting that the directly related costs approach is consistent with requirements in other Standards for the measurement of non-monetary assets.
- BC25 Several IFRS Standards specify the types of costs to include in the measurement of a non-monetary asset. These Standards require an entity to include both the incremental costs of purchasing or constructing the asset and any other directly related or directly attributable costs. For example:
- (a) IFRS 15 states that an entity recognises as an asset costs incurred in fulfilling a contract if they 'relate directly' to the contract;
 - (b) IAS 2 *Inventories* states that an entity includes in the cost of inventories costs 'directly attributable' to the acquisition of finished goods, material and services, and costs 'directly related' to units of production; and

- (c) IAS 16 *Property, Plant and Equipment*, IAS 38 *Intangible Assets* and IAS 40 *Investment Property* all state that an entity includes ‘directly attributable’ costs in the cost of an item of property, plant and equipment, intangible assets and investment property.

BC26 The Board concluded that, ideally, the way an entity determines the cost of fulfilling a contract to deliver goods should be consistent with the way in which it determines the cost of those goods when it holds them. Consistency ensures that resources needed to fulfil a contract are measured in the same way, regardless of whether the entity has yet obtained them.

BC27 Onerous contracts within the scope of IFRS 17 *Insurance Contracts* are excluded from the scope of IAS 37. The onerous contract test in paragraph 47 of IFRS 17 requires an entity to identify the ‘fulfilment cash flows allocated to the contract’. Using terminology similar to that in IFRS 15, paragraph B65 of IFRS 17 defines the fulfilment cash flows using the phrase ‘that relate directly to the fulfilment of the contract’. Furthermore, paragraph B65(l) of IFRS 17 requires an entity to include in the fulfilment cash flows allocated to the contract an allocation of fixed and variable overheads directly attributable to fulfilling insurance contracts.

Terminology

BC28 After considering the terminology in the Standards listed in paragraph BC25, the Board decided to propose the phrase ‘costs that relate directly to the contract’, which matches the phrase used in IFRS 15—the most recent relevant example of terminology the Board has used.

Examples

BC29 The proposed amendments include examples to help clarify the types of cost an entity would include in determining the cost of fulfilling a contract to provide goods or services. The examples proposed are based on those in paragraphs 97–98 of IFRS 15.

Disclosure requirements

BC30 The Board decided not to propose any new disclosure requirements. This is because:

- (a) the proposed amendments are narrow in scope. They would not change the underlying principles or general requirements for onerous contracts.
- (b) onerous contracts previously in the scope of IAS 11 are now in the scope of IAS 37. IAS 11 did not contain disclosure requirements specifically for onerous contracts, so applying IAS 37 does not result in a loss of information about those contracts.
- (c) determining the cost of fulfilling a contract could, in some cases, require the use of estimates. However, this is also the case without the proposed amendments. Paragraph 85(b) of IAS 37 and paragraph 125 of IAS 1 *Presentation of Financial Statements* already require an entity to disclose particular information about uncertainties.

Effective date and transitional provisions

Entities already reporting using IFRS Standards

- BC31 The proposed amendments could require some entities to change the costs they include in determining the cost of fulfilling a contract—those entities could include fewer costs or additional costs in that determination.
- BC32 The Board considered whether to propose that an entity apply the amendments retrospectively applying IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, or instead develop transition requirements for the amendments.
- BC33 An entity that includes additional costs when first applying the amendments may be required to obtain information about costs it had not previously captured. IAS 8 would not require an entity to obtain such information for prior periods if doing so would be impracticable. However, in some situations it might be difficult and costly for an entity to obtain the information needed at the start of the earliest prior period presented, but not impracticable to do so (as defined by IAS 8).
- BC34 Often a contract will become onerous only once in its lifetime; retrospective application of the proposed amendments applying IAS 8 would therefore not generally provide users of financial statements with trend information. Indeed, information about when a contract becomes onerous is more useful to users than trend information. Users may obtain some useful information were retrospective application to highlight a point in the fulfilment of contracts that repeatedly causes an entity's contracts to become onerous. However, the Board has no evidence to suggest that this situation is common.
- BC35 For these reasons, the Board decided not to propose retrospective application applying IAS 8 and, instead, decided to propose that an entity apply the amendments retrospectively from the date of first applying the amendments. By not requiring the restatement of comparative information, the Board concluded the proposed approach avoids the drawbacks of retrospective application applying IAS 8 (see paragraph BC33). The Board concluded that the proposed approach balances the costs an entity would incur in first applying the amendments with the usefulness of the information provided on initial application to users of financial statements.
- BC36 The Board also considered whether to provide an option to apply IAS 8. The Board concluded that the benefits of providing an option would be limited and are outweighed by the disproportionate complexity and possible loss of comparability across entities that such an option would introduce.

Entities presenting their first IFRS financial statements

- BC37 The Board decided not to propose transition requirements for first-time adopters. This is because IFRS 1 *First-time Adoption of International Financial Reporting Standards* does not provide any exception or exemption from the requirements of IAS 37 for onerous contracts. Accordingly, there would be little benefit in providing first-time adopters with an exemption relating to only one aspect of assessing whether a contract is onerous.



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