



LETTER OF COMMENT NO. 5

Definition of a performance obligation

Chapter 3.2. defines a “performance obligation” as a promise in a contract with a customer to transfer an asset (such as a good or a service) to **that customer.**

In fact this requirement to transfer a good or a service to **that customer** (emphasis mine) appears throughout Chapter 3.

It is my opinion that this requirement to transfer the good or service to **that customer** may not be right. In exchange for a consideration from the customer, the entity may, on many occasions, be required by the customer to transfer the good or service to anyone that the customer chooses. It still remains a performance obligation on the part of the entity.

I would therefore suggest that some other appropriate wording be used to define a “performance obligation”.

A suggested modification of the definition would be as follows:

“An entity’s performance obligation is a promise in a contract with a customer to transfer an asset (such as a good or a service) to that customer or to that customer’s nominee as per the terms of the contract.”

Submitted By: Mr Madhu Madhavan