Organismo Italiano di Contabilità – OIC
(The Italian Standard Setter)
Italy, 00187 Roma, Via Poli 29
Tel. 0039/06/6976681 fax 0039/06/69766830
e-mail: presidenza@fondazioneoic.it

EFRAG
35 Square de Meeûs
B-1000 Brussels
BELGIUM
commentletter@efrag.org

25th July 2012

Re: EFRAG draft comment letter on IASB Exposure Draft Annual Improvements to IFRSs 2010–2012 Cycle

Dear Françoise,

We are pleased to have the opportunity to provide our comments in order to contribute to the finalization of the EFRAG comment letter on the Exposure Draft Annual Improvements to IFRSs 2010–2012 Cycle (the ED).

We support the majority of the EFRAG's views on the improvements in the ED; however we have some concerns on the proposed amendments to IFRS 3 - *Accounting for contingent consideration in a business combination*, IFRS 13 - *Short-term receivables and payables*, IAS 1 - *Current/non-current classification of liabilities* and IAS 16 and IAS 38 – *Revaluation method – proportionate restatement of accumulated depreciation*.

Detailed comments follow below.

IFRS 3 - Accounting for contingent consideration in a business combination

We disagree with this improvement. In our opinion, given that the improvement eliminates a current option included in IFRS 3, we believe that the criteria for inclusion in the annual improvements are not met.

In particular, we do not support the IASB proposal to address in IFRS 3 only the case in which the contingent consideration meets the definition of a financial instrument. We believe that the IASB should retain the current option on the classification of contingent consideration as a non financial liability because in theory the contingent payment could be made with properties, commodities, inventories, etc. In this case, we note that the property/commodity/inventory does not meet the definition of a financial instrument. Also, the IASB in BC 349 of IFRS 3 admits the existence of this fact by declaring that most contingent consideration obligations (not all) are financial instruments.

We also note that if the IFRS 3 scopes out the classification of contingent consideration as a non financial liability, the application of IAS 37 (that does not require a fair value measurement) could imply a measurement equal to zero.

With regard to the subsequent measurement, we believe that not necessarily all contingent considerations should be measured at fair value on the basis of the IFRS IC draft interpretation on put option issued by the parent in favour of non-controlling interests.

IFRS 13 - Short-term receivables and payables

We believe that the IASB should not address the issue by explaining better in the Basis for Conclusions of IFRS 13 the rationale for deleting para B5.4.12 of IFRS 9 and para AG79 of IAS 39. On the contrary, we believe that IASB should re-insert these paragraphs in IAS 39/IFRS 9 because the practical expedient in them is a measurement rule that should be in the standard and not in the Basis. Moreover, we believe that this is a case in which the principle of materiality should be specifically addressed.

IAS 1 - Current/non-current classification of liabilities

We agree with the proposed improvement. However, we believe that the definition of similar terms, included in the Basis for Conclusions, should be moved to the standard. Therefore, new para 73 should be amended as follows:

> *If an entity expects, and has the discretion, to refinance or roll over an obligation for at least twelve months after the reporting period under an existing loan facility with the same lender, on the same or similar terms, it classifies the obligation as non-current, even if it would otherwise be due within a shorter period.*
> *Terms are similar if the amendment of the terms would be expected to result in no substantial businesses to change the rights and Obligations of the parties to the loan facility.*

IAS 16 and IAS 38 – Revaluation method – proportionate restatement of accumulated depreciation

We disagree with the proposed improvement.

We believe that the amendment to para 35 a) introduces a new possibility (i.e. the restatement of the gross carrying amount of the asset by reference to observable market data). Reading the current para 35 a) we understand that the gross carrying amount and the accumulated depreciation should always be restated proportionately.

In our opinion, the introduction of a new option does not meet the criteria for its inclusion in the annual improvement project.

Should you need any further information, please do not hesitate to contact us.

Yours sincerely,

Angelo Casò
(Chairman)