

**Organismo Italiano di Contabilità – OIC
(The Italian Standard Setter)**

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EFRAG
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Re: EFRAG draft comment letter on Exposure Draft *Equity Method: Share of Other Net Asset Changes (Proposed Amendments to IAS 28)*

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 Exposure Draft *Equity Method: Share of Other Net Asset Changes (Proposed Amendments to IAS 28)*.

We have some concerns about the proposals contained in the ED.

In particular, we do not agree with the proposed approach to recognise in the investor's equity its share of the changes in the net assets of the investee as proposed in the ED. We believe that the appropriate approach should be to recognise such changes directly in the profit or loss of the investor in the following manner:

- where an investor's ownership interest in the investment is reduced, whether directly or indirectly, the impact of the change should be accounted for as a partial disposal and recognised in profit or loss of the investor; and
- where an investor's ownership interest in the investment increases, whether directly or indirectly, the impact of the change should be accounted for as an incremental purchase of the investment and recognised at cost.

Following an approach similar to the consolidated financial statement would be incorrect because the investee (i.e. the associate) is not included in the group as defined by IAS 27. When the investor's ownership interest changes for transactions made by the investee, the other net asset changes should be recognized in the profit or loss of the investor given that such transaction is with third parties and not with shareholders.

The investee is not included in the consolidation and therefore the other net asset changes do not represent owner transaction from the point of view of the investor. Moreover, under the IAS 1 revised, all the owner changes in equity are presented in the statement of changes in equity while the non-owner changes in equity are presented in the statement of comprehensive income. Therefore, the ED proposal would be not in accordance with the IAS 1, because the impact of the non-owner transaction would be considered in the equity of the investor.

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

Yours sincerely,
Angelo Casò