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Re: Draft endorsement advice and effects study report on Equity Method in Separate Financial Statement (Amendments to IAS 27)

Dear Françoise,

OIC is pleased to have the opportunity to provide its comments on your draft endorsement advice on the Amendments to IAS 27: *Equity Method in Separate Financial Statements* ('Amendments to IAS 27').

We agree that the Amendments to IAS 27 satisfy the technical criteria for EU endorsement and that EFRAG should recommend the endorsement of these amendments. However, we would like to draw your attention on the following remarks.

In our view, the Amendments to IAS 27 put more pressure on the need to define the role of separate financial statements (SFS) in IFRSs. We think that the inclusion of the equity method, as one of the options for measuring investments in subsidiaries, joint ventures and associates in SFS, is not consistent with the previous Basis for Conclusions of IAS 27 (see BC10), which assigned to SFS an important informational role (ie to provide users with information that is not contained in consolidated financial statements).

We kindly suggest EFRAG to include in its Final Endorsement Advise a request to the IASB to deal with a project to conceptually define SFS and to solve all the implementation problems that OIC and EFRAG identified in the DP *Separate Financial Statements*. We think that that the IASB should not postpone a project on SFS, because, as noted at the last CFSS meeting, several European jurisdictions allow preparing SFS in accordance with IFRS. Consequently, in our view, the issue is widespread.

We also think that the IASB should urgently address the situations (listed in paragraph BC10G of the Amendments) in which applying the equity method in SFS to investments in subsidiaries would give a different result compared to the consolidated financial statements. For example: in SFS, goodwill that forms part of the carrying amount of an investment in a subsidiary is not tested for impairment separately. However, in the consolidated financial statements goodwill is recognised separately and it is tested for impairment in accordance with IAS 36. We have already reported these issues to EFRAG and IASB, especially with reference to the impairment test.

We note that the reason given by the IASB to justify the Amendments to IAS 27 is to facilitate convergence, in some jurisdictions, of local GAAP with IFRS for SFS, and to help to reduce compliance costs for some entities without the loss of information (see paragraph BC10B of the Amendments). We would like to highlight that we sent a similar request to the IASB and that the IASB has never discussed our request, that is: to add the option to account for a joint operation structured in a separate vehicle in accordance with IAS 27 (ie cost, fair value or equity method) in SFS.

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

Yours sincerely,
Angelo Casò