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Re: ED/2018/2 *Onerous Contracts - Cost of Fulfilling a Contract* - Proposed amendments to IAS 37

Dear Jean-Paul,

We are pleased to have the opportunity to provide our comments in order to contribute to the finalisation of your comment letter in response to the IASB ED *Onerous Contracts - Cost of Fulfilling a Contract* (the "ED").

We support the IASB's decision to clarify which costs an entity should include when identifying and measuring an onerous contract provision, because this initiative should reduce the risks of difference in practice. However, clarifying that IAS 37 require companies to apply the "directly related cost approach" could change the way in which companies make the assessment for contracts different from construction ones.

We have heard from our stakeholders that there is divergence in practice for contracts for the sale and purchase of goods or services; some apply the directly related cost approach, but others consider just the incremental ones, like for multi-year purchase contracts of commodities (such as natural gas). Therefore, we are convinced that for these amendments an effect analysis is critical to make sure that the new proposal does not have any unintended consequences for contracts outside of the scope of the previous IAS 11 *Construction Contracts*.

Finally, we observe that the guidance and examples of costs listed in the ED consider just revenue contracts, while it could be useful also including examples related to non-revenue contracts within the scope of IAS 37.

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

Yours sincerely,

Angelo Casò

(Chairman)