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IFRS Interpretations Committee
30 Cannon Street
London EC4M 6XH
United Kingdom

3 April 2013

Re: Interpretation Committee tentative agenda decisions

Dear Wayne,
We are pleased to have the opportunity to provide our comments in order to contribute to the IFRS IC agenda decision (issued in January 2013) on IFRS 2 – "*Share-based Payment - Timing of the recognition of intercompany charges*", on IAS 28 - "*Investments in Associates and Joint Ventures and IFRS 3 Business Combination - Associates and common control*" and on IAS 7 - "*Statement of Cash Flows - identification of cash equivalents*".

We are writing to communicate some concerns about the tentative decisions reached on the above-mentioned issues.

IFRS 2 - *Share-based Payment* - Timing of the recognition of intercompany charges

The issue relates to the timing of recognition of intragroup payment arrangements in which a subsidiary recharges to its parent the share-based award made by the parent to the subsidiary's employees under a share-based payment agreement. The IFRS IC decided not to add this issue to its agenda because these arrangements fall into the category of common control transactions and any conclusions drawn could have unintended consequences on the treatment of other types of intercompany transactions. Therefore, in the absence of any guidance about these transactions, the IFRS IC thinks that the issue cannot be resolved efficiently.
The issue on intragroup transactions is common and relevant, especially in the jurisdictions where IFRS are applied to the individual accounts. In the absence of a clarification from the IFRS IC on the issue, diversity exists in practice, which will affect the comparability between financial statements.
Therefore, the OIC disagrees with the IFRS IC tentative decision not to add this issue to its agenda.

IAS 7 - *Statement of Cash Flows* - identification of cash equivalents

The issue relates to the classification of financial assets as cash equivalent in accordance with IAS 7.7. The submitter thinks that the classification of an investment should be made on the basis of the remaining period to maturity as at the balance sheet date and not with reference to the date of acquisition. The IFRS IC decided not to add this issue to its agenda because it considers as clear the requirements of IAS 7.7.
The OIC agrees with the IFRS IC tentative decision but believes that the IASB should broadly address the issue to clarify what the cash equivalents are.

IAS 28 - *Investments in Associates and Joint Ventures and IFRS 3 Business Combination* - Associates and common control

The issue relates to the accounting for an acquisition of an interest in an associate or joint venture from an entity under common control and, in particular, about the application by analogy of the scope exemption set out in IFRS 3. The issues arise from a contradiction between paragraph 32 and paragraph 26 of IAS 28. In fact, paragraph 32 imposes the application of the equity method to the acquisition of an interest in an associate or joint venture while paragraph 26 says that "*the concepts underlying the procedures used in accounting for the acquisition of a subsidiary are also adopted in accounting for the acquisition of an investment in an associate or a joint venture*".
In its tentative agenda decision, the IFRS IC states that IAS 28.32 "*has guidance on the acquisition of an interest in an associate or joint venture and does not distinguish between acquisition of an investment under common control and acquisition of an investment from an entity that is not under common control". The IFRS IC noted that the issue would be better considered within the context of a broader project on accounting for business combinations under common control.*
The OIC disagrees with the agenda decision. Even if OIC recognizes that the issue might be addressed in the broader context of BCUCC project, it is acknowledged that in the last half decade many common control transaction issues related have not been addressed for this reason. **Diversity in practice increases in the meantime. The IFRS IC should clarify the accounting treatment for the issue under consideration and for other common control transaction issues that may be submitted in the future, at least until a deadline on the common control transaction project would be determined by the IASB.**

In addressing the issue under consideration, the IFRS IC should consider that the same problem arises the accounting in the **separate financial statements** of the acquisition of investments in subsidiaries from a common control part. Indeed it is not definitely clear whether in such a circumstance IAS 27 or the scope exemption of IFRS 3 applies.

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

Yours sincerely,

Angelo Casò
(Chairman)