Organismo Italiano di Contabilità – OIC
(The Italian Standard Setter)
Italy, 00187 Roma, Via Poli 29
Tel. + 39 06 6976681 fax +39 06 69766830
e-mail: presidenza@fondazioneoic.it

International Accounting Standards Board
30 Cannon Street
London, EC4M 6XH
United Kingdom
commentletters@ifrs.org

31 January 2011

Re: IASB Request for views on Effective Dates and Transition Methods

Dear Sir/Madam,

I am writing on behalf of the Italian Accounting Standards Setter (OIC) to respond to the IASB Request for views on Effective Dates and Transition Methods.

The OIC welcomes the initiative of the IASB to seek advice on how to implement the number of new IFRSs expected to be issued by 30 June 2011. The OIC has already noted that the current active agenda set by the IASB for June 2011 is particularly challenging and will require a great effort to ensure that the accounting standards to be issued will meet the high quality objective. In this regard, as already done in the past, we would recommend that the IASB not consider the June 2011 deadline as the priority, but rather use the proper due process and field-testing to finalize the relevant accounting standards.

The OIC's main comments can be summarized as follows:

- The OIC has a number of concerns in relation to the capability of preparers to adapt their business IT systems in a reasonable time.
- At the moment, it is impossible to assess the magnitude of the impact of new standards in relation to the potential conflicts with other regulatory or tax requirements.
- We believe that in its deliberations the IASB should consider the needs of those companies that want to adopt the final standard on financial instruments in its entirety rather than in phases.
- We believe that the appropriate effective date of the new standards should be 1 January 2015 at the earliest.
- We believe that early adoption would not be appropriate and, therefore, we suggest that the IASB not allow early adoption for the most important new standards.

Bearing the foregoing in mind, the OIC is keen to contribute to the IASB's deliberations on Effective Dates and Transition Methods by providing its comments to the specific questions of the IASB Request for views.

Question 1
Please describe the entity (or the individual) responding to this Request for Views.
For example:

a. **Please state whether you are primarily a preparer of financial statements, an auditor, or an investor, creditor or other user of financial statements (including regulators and standard-setters). Please also say whether you primarily prepare, use or audit financial information prepared in accordance with IFRSs, US GAAP or both.**
b. **If you are a preparer of financial statements, please describe your primary business or businesses, their size (in terms of the number of employees or other relevant measure), and whether you have securities registered on a securities exchange.**
c. **If you are an auditor, please indicate the size of your firm and whether your practice focuses primarily on public entities, private entities or both.**
d. **If you are an investor, creditor or other user of financial statements, please describe your job function (buy side/sell side/regulator/credit analyst/lending officer/standard-setter), your investment perspective (long, long/short, equity, or fixed income), and the industries or sectors you specialise in, if any.**
e. **Please describe the degree to which each of the proposed new IFRSs is likely to affect you and the factors driving that effect (for example, preparers of financial statements might explain the frequency or materiality of the transactions to their business and investors and creditors might explain the significance of the transactions to the particular industries or sectors they follow).**

a. The OIC (Organismo Italiano di Contabilità) is the Italian Standard Setter. Its mission is:
    - to issue Italian accounting standards;
    - to respond to IASB due process documents (Discussion Papers, Exposure Drafts, etc.) and to participate at IASB and EFRAG meetings;
    - to cooperate with the legislator in accounting matters; and
    - to act as promoter of the national accounting culture.
b. Not applicable.
c. Not applicable.
d. Not applicable.
e. Not applicable.

Question 2
Focusing only on those projects included in the table in paragraph 18 of IASB Request for Views:
(a) Which of the proposals are likely to require more time to learn about the proposal, train personnel, plan for, and implement or otherwise adapt?
(b) What are the types of costs you expect to incur in planning for and adapting to the new requirements and what are the primary drivers of those costs? What is the relative significance of each cost component?

The IASB projects that could require major implementation costs are, without doubt, those projects related to US GAAP convergence. In detail:

a. Financial Instruments;
b. Insurance Contracts;
c. Leases;
d. Revenue Recognition.

As already mentioned in the specific comment letters of the above mentioned projects, especially revenue recognition and leases, the OIC has a number of concerns in relation to the capability of preparers to adapt their business IT systems in a reasonable time.

Moreover, the OIC noted that some proposals of the IASB could have an impact on the financial and performance ratios of the issuers, and that, therefore, preparers that will adopt new standards may require additional time to analyse a number of contracts that may be affected in their provisions by the alteration of the ratios.

Question 3
Do you foresee other effects on the broader financial reporting system arising from these new IFRSs? For example, will the new financial reporting requirements conflict with other regulatory or tax reporting requirements? Will they give rise to a need for changes in auditing standards?

At the moment, it is impossible to assess the magnitude of the impact of new standards in relation to the potential conflicts with other regulatory or tax requirements. Such an assessment could be available only when the relevant accounting standards have been finalized by the Board.

However, it is likely that the application of the new standards in the individual financial statements will create some sort of incompatibility with other regulations, and then much time may needed for the adoption of the new standards, especially for the Financial Instruments, Insurance Contracts, Revenues, Leases, Consolidation and Joint Ventures projects.

The selection of IFRS as relevant accounting standards even for individual financial statements implies that at every issuance of a new standard an assessment of the conflicts with other regulation has to be performed carefully, and this process may prove longer than for consolidated financial statements.

Question 4
Do you agree with the transition method as proposed for each project, when considered in the context of a broad implementation plan covering all the new requirements? If not, what changes would you recommend, and why? In particular, please explain the primary advantages of your recommended changes and their effect on the cost of adapting to the new reporting requirements.

We note that not all phases of the project on financial instruments have been completed and that the corresponding transition methods have not been decided upon. We believe that in its deliberations the IASB should consider the needs of those companies that want to adopt the final standard on financial instruments in its entirety rather than in phases.
Evidently, in some circumstances, the full retrospective application would be onerous or not applicable, so the relief given to preparers is welcomed when it does not significantly reduce the comparability of financial information.

The IASB decided, for some projects, to follow a "phase by phase" approach. This is the case with the financial instruments project and consolidation. Normally, it would be preferable that a final version of the standard were released only when the last phase of the project were completed, avoiding partial publication that may need to be revisited at later stages of projects, when the global picture may be clearer. From the current version of the IASB active agenda, it can be acknowledged that this will be the approach for the residual phases of the financial instruments project, but not for consolidation.
In fact, the main project on consolidation excludes the topic of investment companies from the consolidation requirements. Although it is unlikely that the investment companies project will lead to a change in the principle underlying the consolidation standard, it is not clear what the urgency is that imposes the taking of the risk to issue the standard on consolidation that could require amendments after a few months, when the investment companies standard is released.

Question 5

In thinking about an overall implementation plan covering all of the standards that are the subject of this Request for Views:

a. **Do you prefer the single date approach or the sequential approach? Why? What are the advantages and disadvantages of your preferred approach? How would your preferred approach minimise the cost of implementation or bring other benefits? Please describe the sources of those benefits (for example, economies of scale, minimising disruption, or other synergistic benefits).**
b. **Under a single date approach and assuming the projects noted in the introduction are completed by June 2011, what should the mandatory effective date be and why?**
c. **Under the sequential approach, how should the new IFRSs be sequenced (or grouped) and what should the mandatory effective dates for each group be? Please explain the primary factors that drive your recommended adoption sequence, such as the impact of interdependencies among the new IFRSs.**
d. **Do you think another approach would be viable and preferable? If so, please describe that approach and its advantages.**

We believe that it would be necessary to distinguish between two groups of standards:

- Group 1 - Revenue from Contracts with Customers, Leases, Insurance Contracts, Financial Instruments, Fair value measurement, Consolidation and Joint Arrangements. These standards have a significant impact on the way companies report the performance of their core business, they affect a large number of items and transactions and their scopes of application are closely related.
  In fact, especially the standard on joint ventures may imply costs of implementation, and both standards will entail, for the entities concerned, an intense work of analysis of the existing contracts in order to establish the appropriate accounting treatment. We believe that their effective date should be 1 January 2015 at the earliest.
- Group 2 - Post-employment benefits – Defined benefit plans and Presentation of items of Other Comprehensive Income. These standards have a more contained effect on financial reporting and on the preparation of financial statements. The effective dates of these standards should be before those in Group 1.

Question 6

Should the IASB give entities the option of adopting some or all of the new IFRSs before their mandatory effective date? Why or why not? Which ones? What restrictions, if any, should there be on early adoption (for example, are there related requirements that should be adopted at the same time)?

Taking into account the complexity of the evaluations of consistency between general, accounting and taxation rules mentioned above, it is foreseeable that it is unlikely that the new standards could be immediately applicable at their publication date.
We believe that the appropriate effective date of the new standards should be 1 January 2015 at the earliest because the overall evaluation process of the impacts on the rules of the company and taxation law could require quite long periods.

Moreover, we believe that early adoption would not be appropriate, not only because it could create significant concerns about the comparability of the consolidated financial statements in different entities, but also because, in the absence of a timely adaption of the general and taxation rules, the entities that decide to adopt the new IFRSs early could incur significant implementation costs due to the miscoordination between the accounting rules and the other general and taxation rules.

For these reasons, we suggest that the IASB not allow early adoption for the most important new standards.

Question 7

Do you agree that the IASB and FASB should require the same effective dates and transition methods for their comparable standards? Why or why not?

We believe that the convergence with the US GAAPs in terms of effective dates and transition methods, while desirable, should not come at the expense of those companies already applying IFRSs.

Question 8
Should the IASB permit different adoption dates and early adoption requirements for first-time adopters of IFRSs? Why, or why not? If yes, what should those different adoption requirements be, and why?

We believe that providing different effective dates and early adoption requirements for first-time adopters might be considered for purely pragmatic reasons. However, this intention should not result in a mandatory acceleration of effective dates for existing preparers.

If you have any queries concerning our comments, please do not hesitate to contact us.

Yours sincerely,

Angelo Casò
(OIC Chairman)