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International Accounting Standards Board
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Re: Request for Views on Agenda Consultation 2011

Dear Sir/Madam,

We are pleased to have the opportunity to provide our comments on your Request for Views on *Agenda Consultation 2011*.

We welcome the initiative of IASB to launch a consultation for the first time on the future agenda in order to collect views on which key general principles should govern the agenda setting process and on which projects should have priority and to direct the allocating of resources.

First of all, we wish to note that the OIC support the EFRAG views expressed in the EFRAG final comment letter on the IASB Agenda consultation issued the 5th of December. Indeed, the EFRAG comment letter has been developed and approved by the Planning and Resources Committee (PRC) of EFRAG of which the OIC is a member.

Moreover we would like to highlight some main messages included in that letter.

- The need for a “period of calm”, once the current main projects (such as revenue, leases, insurance and financial instruments) have been finalised, to allow stakeholders to implement and bed down the standards issued, without further changes being made, and to favour the consistent application of IFRSs.

We welcome the fact that also the IASB is aware that the standard-setter activity over recent years has been very intense. Stakeholders need time to apply and adapt to the new requirements. They have to deal with a great number of changes and require a stable platform before further substantial projects are undertaken.

During this period of quiet, it is important that the IASB addresses its resources mainly to working on the project of the Conceptual Framework, to performing post-implementation reviews and research activities in order to develop evidence-based proposals of projects as well as to considering urgent or unexpected issues that may emerge.

- The prioritisation of the project on the Conceptual Framework. Indeed, it is fundamental to have a sound framework in order to develop high-quality accounting standards. In particular, we point out the need to consider the definition of the concept of performance, taking into consideration its impact on the business model of the entity, and the issues related to the OCI items.
Furthermore, we think that within the Conceptual Framework the development of a disclosure framework should be dealt with, in order to identify all and only relevant disclosures. In this regard, we note the EFRAG pro-active project on the disclosure framework, which could provide useful input to help to identify the relevant information. Given that the framework should be the basis of financial reporting, the project should not be only a joint project with the FASB.
- The undertaking of post-implementation reviews. We strongly support the commitment of the IASB to be responsive to implementation issues by undertaking these reviews. However, in our opinion their focus should not be limited only to issues identified as contentious during the development of IFRSs and considerations of any unexpected costs or implementation problems encountered, as proposed in the Request. Instead, they should consider also whether the standard meets its proposed objective and benefits, in terms of improving quality in financial reporting and useful information for users of financial statements.
In this regard, we believe that the cooperation with National Standard Setters in carrying out post-implementation reviews is critical as they are in the best position to identify any application issues and any need for improvement that arise at national level. Therefore, we reaffirm the view that the IASB should intensify its liaison relationship with NSSs.
- Investing time and effort in research activity is a fundamental step in order to anticipate future standard-setter needs and provide evidence for financial reporting changes. As stated in the Report of the Trustees 'Strategy Review', due to limitations of financial resources, it is appropriate to consider a combination of internal and external intellectual resources. In this context, the academic community could make a useful contribution.
Furthermore, we hope for a greater development of discussion papers. It is especially important for the main projects, in order to deepen the debate on critical aspects that accounting treatments present and to arrive at solutions that are really high-quality based. Moreover, we note that the IASB could take more into consideration the proactive projects carried on by NSSs and other regional organizations as useful starting points for its work on issues which need to be dealt with.
- Convergence should no longer be one of the primary drivers in order to set the agenda. We think that the IASB should concentrate its resources in activities useful for those who have adopted IFRSs or are going to adopt them. Even if harmonization is a positive and important value to pursue, in any case, convergence efforts should not compromise the quality of financial reporting. As the ultimate objective of the IASB is to develop high-quality accounting standards, it is fundamental that any amendment or standard developed for convergence reasons should result in a real enhancement of financial reporting (its benefits should always be greater than the costs related to its implementation) and the need for it should be clearly demonstrated.

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We wish to contribute to the debate on the projects to be considered on the agenda. During the comment period, the OIC had the opportunity to consult a number of Italian

constituents. The results of the survey carried out in Italy show the following projects as having an high priority because of the lack of IFRS requirements.

- Business combination under common control, as this kind of operation happens frequently and appropriate requirements would permit a consistent application as well as clear accounting.
- Rate-regulated activities. In particular, for the utilities this project is critical, and it points out that the project as initially developed should be the object of an in-depth review, given the number of remarks received.
- Extractive activities.
- Emission trading schemes.

In particular, we would like to draw attention to the Discussion paper issued by EFRAG and OIC *Accounting for Business Combinations under Common Control*, within the proactive activity of EFRAG, that could represent a useful starting point for the IASB with reference to the treatment of these operations in the consolidated financial statements of the transferee. The differences in practice across jurisdictions and the lack of accounting guidance in IFRS on this subject highlight the urgency for this issue to be addressed promptly. Furthermore, the IASB project could benefit from the output of a new proactive project undertaken by the EFRAG, OIC, DASB and ICAC which aims to discuss the issue of separate financial statements. It could help to assess the treatment of Business Combinations under Common Control even in the separate accounts.

In addition, we think that some projects are not so urgent while others should not be added to the agenda at all.

In the first category, we include: Islamic transactions and instruments, Agriculture (bearer biological assets), Foreign currency translation and Inflation accounting.

In the other group, we include: Earnings per share, Intangible assets, Liabilities – amendments to IAS 37, Government grants, Interim reporting and Post-employments benefits.

Finally the most of the constituents envisaged a need to re-consider the conceptual framework (including disclosure). In particular, two aspects are pointed out (i) the need for a clear definition of the concept of performance, the identification of the items that have to be included in OCI or can be classified in OCI and recycling accounting; and (ii) the need for the conceptual framework to address issues related to distinguishing financial instruments with the characteristics of equity from financial liabilities.

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

Yours sincerely,
Angelo Casò
(OIC Chairman)