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**Re: EFRAG Draft comment letter on IASB ED Government Loans**

Dear Madam/Sir,

We are pleased to have the opportunity to provide our comments on your draft comment letter on *IASB ED Government Loans (proposed amendments to IFRS 1)*.

We agree with EFRAG's view that the Board should explain why it is necessary to limit the retrospective application of IAS 20 – even in cases where entities can collect the relevant information subsequently.

However, we have two comments:

- Our understanding of IFRS 1 is that retrospective application is the principle, while prospective application should be an exception. Consequently, the entity should always apply the standards retrospectively, and only when the necessary information is unavailable then the prospective application could be used. Conversely, we note that the IASB has established that a first-time adopter shall apply the requirements in IFRS 9 *Financial Instruments* and paragraph 10A of IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* prospectively. An entity may apply these requirements retrospectively only if the necessary information was obtained at the time of initially accounting for that loan.
- If other standards require the prospective application, the Board should align these standards with the IFRS 1 in order to create consistency between different standards. Some examples are shown in the attached document (IASB Staff paper - Appendix BB).

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

Yours sincerely,

Angelo Casò  
(Chairman)

## IASB Staff paper

## Appendix BB. Examples of prospective application provisions of IFRSs not aligned with exemptions into IFRS 1

IFRS 5	<p><b>44C</b> Paragraphs 8A and 36A were added by <i>Improvements to IFRSs</i> issued in May 2008. An entity shall apply those amendments <b>for annual periods beginning on or after 1 July 2009</b>. Earlier application is permitted. However, an entity shall not apply the amendments for annual periods beginning before 1 July 2009 unless it also applies IAS 27 (as amended in January 2008). If an entity applies the amendments before 1 July 2009 it shall disclose that fact. <b>An entity shall apply the amendments prospectively from the date at which it first applied IFRS 5, subject to the transitional provisions in paragraph 45 of IAS 27 (amended January 2008).</b></p> <p><b>44E</b> Paragraph 5B was added by <i>Improvements to IFRSs</i> issued in April 2009. <b>An entity shall apply that amendment prospectively for annual periods beginning on or after 1 January 2010</b>. Earlier application is permitted. If an entity applies the amendment for an earlier period it shall disclose that fact.</p>
IFRS 7	<p><b>44D</b> Paragraph 3(a) was amended by <i>Improvements to IFRSs</i> issued in May 2008. An entity shall apply that amendment <b>for annual periods beginning on or after 1 January 2009</b>. Earlier application is permitted. If an entity applies the amendment for an earlier period it shall disclose that fact and apply for that earlier period the amendments to paragraph 1 of IAS 28, paragraph 1 of IAS 31 and paragraph 4 of IAS 32 issued in May 2008. <b>An entity is permitted to apply the amendment prospectively.</b></p>
IAS 16	<p><b>81E</b> Paragraph 5 was amended by <i>Improvements to IFRSs</i> issued in May 2008. <b>An entity shall apply that amendment prospectively for annual periods beginning on or after 1 January 2009</b>. Earlier application is permitted if an entity also applies the amendments to paragraphs 8, 9, 22, 48, 53, 53A, 53B, 54, 57 and 85B of IAS 40 at the same time. If an entity applies the amendment for an earlier period it shall disclose that fact.</p>
IAS 27	<p><b>45A</b> Paragraph 38 was amended by <i>Improvements to IFRSs</i> issued in May 2008. <b>An entity shall apply that amendment for annual periods beginning on or after 1 January 2009, prospectively from the date at which it first applied IFRS 5</b>. Earlier application is permitted. If an entity applies the amendment for an earlier period it shall disclose that fact.</p>
IAS 28	<p><b>41C</b> Paragraphs 1 and 33 were amended by <i>Improvements to IFRSs</i> issued in May 2008. An entity shall apply those amendments <b>for annual periods beginning on or after 1 January 2009</b>. Earlier</p>

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	<p>application is permitted. If an entity applies the amendments for an earlier period it shall disclose that fact and apply for that earlier period the amendments to paragraph 3 of IFRS 7 <i>Financial Instruments: Disclosures</i>, paragraph 1 of IAS 31 and paragraph 4 of IAS 32 <i>Financial Instruments: Presentation</i> issued in May 2008. <b>An entity is permitted to apply the amendments prospectively.</b></p>
IAS 31	<p><b>58B</b> Paragraph 1 was amended by <i>Improvements to IFRSs</i> issued in May 2008. An entity shall apply that amendment for <b>annual periods beginning on or after 1 January 2009</b>. Earlier application is permitted. If an entity applies the amendment for an earlier period it shall disclose that fact and apply for that earlier period the amendments to paragraph 3 of IFRS 7 <i>Financial Instruments: Disclosures</i>, paragraph 1 of IAS 28 and paragraph 4 of IAS 32 <i>Financial Instruments: Presentation</i> issued in May 2008. <b>An entity is permitted to apply the amendment prospectively.</b></p>
IAS 32	<p><b>97D</b> Paragraph 4 was amended by <i>Improvements to IFRSs</i> issued in May 2008. An entity shall apply that amendment for <b>annual periods beginning on or after 1 January 2009</b>. Earlier application is permitted. If an entity applies the amendment for an earlier period it shall disclose that fact and apply for that earlier period the amendments to paragraph 3 of IFRS 7, paragraph 1 of IAS 28 and paragraph 1 of IAS 31 issued in May 2008. <b>An entity is permitted to apply the amendment prospectively.</b></p>
IAS 36	<p><b>140E</b> <i>Improvements to IFRSs</i> issued in April 2009 amended paragraph 80(b). <b>An entity shall apply that amendment prospectively for annual periods beginning on or after 1 January 2010</b>. Earlier application is permitted. If an entity applies the amendment for an earlier period it shall disclose that fact.</p>
IAS 38	<p><b>130C</b> IFRS 3 (as revised in 2008) amended paragraphs 12, 33–35, 68, 69, 94 and 130, deleted paragraphs 38 and 129 and added paragraph 115A. <i>Improvements to IFRSs</i> issued in April 2009 amended paragraphs 36 and 37. An entity shall apply those amendments prospectively for annual periods beginning on or after 1 July 2009. Therefore, amounts recognised for intangible assets and goodwill in prior business combinations shall not be adjusted. If an entity applies IFRS 3 (revised 2008) for an earlier period, it shall apply the amendments for that earlier period and disclose that fact..</p>
	<p><b>130E</b> <i>Improvements to IFRSs</i> issued in April 2009 amended paragraphs 40 and 41. <b>An entity shall apply those amendments prospectively for annual periods beginning on or after 1 July 2009</b>. Earlier application is permitted. If an entity applies the amendments for an earlier period it shall disclose that fact.</p>
IAS 39	<p><b>103K</b> <i>Improvements to IFRSs</i> issued in April 2009 amended</p>

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	<p>paragraphs 2(g), 97 and 100. <b>An entity shall apply the amendments to those paragraphs prospectively to all unexpired contracts for annual periods beginning on or after 1 January 2010.</b> Earlier application is permitted. If an entity applies the amendment for an earlier period it shall disclose that fact.</p>
IAS 40	<p><b>85B</b> Paragraphs 8, 9, 48, 53, 54 and 57 were amended, paragraph 22 was deleted and paragraphs 53A and 53B were added by <i>Improvements to IFRSs</i> issued in May 2008. <b>An entity shall apply those amendments prospectively for annual periods beginning on or after 1 January 2009.</b> An entity is permitted to apply the amendments to investment property under construction from any date before 1 January 2009 provided that the fair values of investment properties under construction were determined at those dates. Earlier application is permitted. If an entity applies the amendments for an earlier period it shall disclose that fact and at the same time apply the amendments to paragraphs 5 and 81E of IAS 16 <i>Property, Plant and Equipment</i>.</p>
IAS 41	<p><b>60</b> Paragraphs 5, 6, 17, 20 and 21 were amended and paragraph 14 deleted by <i>Improvements to IFRSs</i> issued in May 2008. <b>An entity shall apply those amendments prospectively for annual periods beginning on or after 1 January 2009.</b> Earlier application is permitted. If an entity applies the amendments for an earlier period it shall disclose that fact.</p>
IFRIC 9	<p><b>11</b> Paragraph 5 was amended by <i>Improvements to IFRSs</i> issued in April 2009. <b>An entity shall apply that amendment prospectively for annual periods beginning on or after 1 July 2009.</b> If an entity applies IFRS 3 (as revised in 2008) for an earlier period, it shall apply the amendment for that earlier period and disclose that fact.</p>