ACCOUNTING STANDARDS

Receivables

December 2016
INTRODUCTION

The Organismo Italiano di Contabilità (OIC), a foundation created under private law with full statutory autonomy, was recognised by Law No. 116 of 11 August 2014 (which converted Decree Law 91/2014) as the “national institute for accounting standards” with the following functions:

a) It issues national accounting standards based on best operating practices to prepare financial statements in accordance with the Civil Code;

b) It provides support to parliament and government bodies in the area of accounting regulations and expresses opinions when required by specific legal provisions or at the request of other government institutions;

c) It participates in the process of developing the international accounting standards adopted in Europe and maintains relationships with the International Accounting Standards Board (IASB), European Financial Reporting Advisory Group (EFRAG) and accounting bodies in other countries.

With regard to the activities indicated in paragraphs a), b) and c), it coordinates with national authorities charged with accounting responsibilities.

In the performance of its duties, the OIC pursues objectives of public interest, acts independently, and makes changes to its by-laws to comply with standards of efficiency and cost savings. It reports annually to the Ministry for the Economy and Finance on its activities.

The national accounting standards are approved by the Management Board and subject to a rigorous due process of consultation.

Following consultation and prior to final publication, pursuant to Article 12 of the by-laws, the national accounting standards are subject to the opinion of the Revenue Agency, Bank of Italy, CONSOB, IVASS and Ministries which have jurisdiction on this matter.

Any negative opinion of the above institutions is published together with the accounting standard approved by the Management Board.

The previous edition of this standard was published in June 2014 as an update to the July 2005 version.
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OBJECTIVE

1. The purpose of accounting standard OIC 15 is to govern the bases for the recognition, classification and measurement of receivables, and the information to be disclosed in the notes to the financial statements.

SCOPE

2. This accounting standard is intended for companies that prepare their financial statements in accordance with the provisions of the Civil Code. The provisions of the Civil Code used as a reference for preparing this standard are indicated in the section “Receivables in Civil Law”.

3. Rules in other accounting standards shall be followed when they address specific issues related to receivables.

DEFINITIONS

4. Receivables represent rights to collect, on a stated or identifiable maturity, fixed or determinable amounts of cash or goods/services of an equivalent amount, from customers or other parties.

5. Notes receivable are credit instruments containing an order or unconditional promise to pay the holder of the instrument, who, as a result, has the legally protected right to demand payment. The provisions of this standard shall also apply to notes receivable.

6. Cash consists of:
   - bank and postal deposits;
   - cheques;
   - cash on hand.

7. The nominal value of a receivable is the amount, defined by agreement, that the holder is entitled to collect.

8. The nominal interest rate of a receivable is the contractual interest rate, which, when applied to its nominal value, makes it possible to determine cash flows consisting of nominal interest income over the life of the receivable.

9. The contractual interest rate is the rate that takes into consideration all cash flows paid by the parties and required by agreement (e.g. fees, prepayments and any other difference between the receivable’s initial amount and amount at maturity), but it does not take into account transaction costs.
10. From a financial standpoint, **discounting** is the process, which, through the application of a discount rate, makes it possible to determine the present value of cash flows to be collected on one or more future dates.

Discounting is specified by Article 2426(1)(8), which requires the measurement of receivables to take into account the “time factor” if, at the time of initial recognition, the contractual interest rate differs significantly from the market rate.

11. The **market interest rate** is the rate that would have been applied if two independent parties had negotiated a similar transaction with terms and conditions comparable to those applicable to the transaction concerned that generated the receivable. The use of observable market parameters must be maximised when determining this interest rate.

12. **Impairment** is a reduction in the value of a receivable, based on an estimate, to its estimated realisable value as at the reporting date.

13. A **loss** is certain definitive event coinciding with the portion of the receivable that is no longer recoverable.

14. **Financial statements in ordinary form** are financial statements prepared in accordance with the provisions of the Civil Code by companies that do not prepare abridged financial statements pursuant to Article 2435-*bis* of the Civil Code, and by companies that do not prepare financial statements pursuant to Article 2435-*ter* of the Civil Code.

**Definitions taken from International Accounting Standards**

15. Article 2426(2) of the Civil Code specifies that the International Accounting Standards adopted by the European Union should be referenced for the definition of amortised cost. IAS 39(9), which was adopted by the European Union and has been in effect since its publication, includes receivables under financial assets and provides the following definitions with regard to the criterion of the amortised cost of financial assets and liabilities.

16. “The **amortised cost** of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of a provision) for impairment or uncollectibility”.

17. “The **effective interest method** is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period”.

18. “The **effective interest rate** is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider
future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to estimate reliably the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments)”.

19. “Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument”. Transaction costs include professional fees and commissions paid to third parties (e.g., consultants, financial intermediaries and notaries), contributions paid to regulatory bodies and taxes and costs related to transfers. Transaction costs do not include premiums or discounts on the nominal value of the receivable and all other costs specified in the loan agreement and paid to the counterparty.

ITEM CLASSIFICATION AND CONTENT

20. Article 2424 of the Civil Code specifies that receivables shall be presented under balance sheet assets in item BIII2, for receivables recorded under fixed assets, and in item CII, for receivables forming a part of current assets depending on their nature:

B III 2 - Receivables:
   a. from subsidiaries;
   b. from associates;
   c. from parent companies;
   d. from undertakings subject to the control of parent companies;
   d bis. From others;

C II — Receivables:
   1. accounts receivable;
   2. from subsidiaries;
   3. from associates;
   4. from parent companies;
   5. from undertakings subject to the control of parent companies;
   5-bis) Tax credits;
   5-ter) Deferred tax assets;
   5-quater) from others;

21. Classifying receivables under current assets and financial fixed assets does not depend on their collectibility (i.e. on the period of time by which the assets will be transformed into cash, which is
typically a year), but is carried out on the basis of the role played by the various assets as a part of the company’s ordinary operations. In essence, the classification of balance sheet asset amounts is based on the criterion of their “purpose” (or origin) relative to ordinary operations. Specifically, legislators require the separate presentation of: receivables recognised as financial fixed assets (i.e. of a financial nature), the amounts of which are collectible within the following financial year (see asset item BIII2); and receivables included in current assets, the amounts of which are due after the following financial year (see asset item CII).

22. For the purposes of presenting amounts due within and after the financial year, the classification shall be made in relation to their contractual or legal maturity, also taking into account:
   - facts and events specified in the agreement that could result in a change in the original maturity occurring within the reporting date;
   - the debtor’s realistic ability to fulfil the obligation by the deadlines specified in the agreement; and
   - the time horizon by which the creditor believes it will reasonably be able to collect the receivable.

23. Receivables shall be presented in the balance sheet net of the impairment necessary to reduce them to their estimated realisable value.

24. Receivables from subsidiaries, associates or parent companies and from undertakings subject to the control of parent companies shall be recognised in the appropriate sub-items a), b), c) and d) of item BIII2 (if of a financial nature), and in items CII 2), 3), 4) and 5) (if of a commercial nature). See the provisions of Article 2359 of the Civil Code for the definition of subsidiaries, associates, parent companies and undertakings subject to the control of parent companies. Items BIII2c) and CII4 shall also include receivables from parent companies above the first level, meaning parent companies that control the company indirectly through their intermediate subsidiaries.

25. Impairments of receivables included in current assets shall be classified in item B10d) of the income statement Impairment of receivables included in current assets, and of cash. Impairments of receivables recorded under financial fixed assets shall be classified in item D19b) of the income statement Impairment of financial fixed assets not recognised as equity investments.

Reversals of previous impairments of receivables recorded in current assets shall be classified in item A5 of the income statement Other revenues and income when the causes generating them no longer apply.

Reversals of previous impairments of receivables recorded under financial fixed assets shall be classified in item D18b) of the income statement Revaluations of financial fixed assets not recognised as equity investments when the causes generating them no longer apply.

Other financial income in the form of interest and other income accrued on fixed receivables, and any higher amounts collected on receivables acquired and recorded under financial fixed assets shall be classified in item C16a) Other financial income - a) from receivables recorded in fixed
assets of the income statement with the separate presentation of income from subsidiaries, associates, parent companies and undertakings subject to the control of the latter.

Other financial income on receivables recorded in current assets shall be classified in item C16d)

Other financial income - d) other than the above of the income statement with the separate presentation of income from subsidiaries, associates, parent companies and undertakings subject to the control of the latter.

26. Losses realised on receivables recorded under current assets (e.g. as a result of a court payment less than the amount of the receivable from a settlement or directive) shall be classified in item B14 Other operating costs in the income statement to the extent of the portion exceeding the amount of the receivable already impaired. If the losses are related to receivables recorded under financial fixed assets, they shall be classified in item C17 Interest and other financial expenses with the separate presentation of losses from subsidiaries, associates, parent companies and undertakings subject to the control of the latter.

27. Receivables from one’s creditors cannot be offset and shall be recognised under assets consistently with the provisions of Article 2423-ter(6) which prohibits the offsetting of items. Offsetting is allowed within the limit of legal or contractual provisions (e.g. the legal offsetting pursuant to Article 1243(1) of the Civil Code).

Abridged financial statements (Art. 2435-bis of the Civil Code) and financial statements of micro-undertakings (Art. 2435-ter of the Civil Code)

28. Pursuant to Article 2435-bis of the Civil Code, in the abridged financial statements the balance sheet shall only include items labelled, in Article 2424, with capital letters and Roman numerals. Item A Shareholder receivables for contributions due and D Prepayments and accrued income may be included in item CII. In any case, receivables due after the following financial year must be separately presented in item CII. In addition, the following items required by Article 2425 may be grouped together in the income statement in abridged financial statements: C16(b) and C16(c); D18(a), D18(b), D18(c) and D18(d); D19(a), D19(b), D19(c) and D19(d).

The same simplifications shall apply to the financial statements of micro-undertakings pursuant to Article 2435-ter of the Civil Code.

Thus, the companies referenced in Articles 2435-bis and 2435-ter of the Civil Code may choose not to adhere to the provisions of paragraphs 20, 24 and 25 (for the separate reporting of items D19b), D18b) and C16).

INITIAL RECOGNITION

Requirements for the initial recognition of receivables

29. Receivables originating from revenues for the sale of goods shall be recognised on an accrual basis when both the following conditions are met:

- The production process of the goods has been completed; and
The substantial, but not formal, transfer of ownership has occurred. The reference used for the substantial transfer of ownership is the transfer of risks and rewards. Unless the conditions of contractual agreements specify that the transfer of risks and rewards is to occur otherwise:

(a) In the case of the sale of movable assets, the transfer of risks and rewards shall occur with the shipment or delivery of such assets;

(b) For assets requiring a public document (e.g. properties), the transfer of risks and rewards shall coincide with the date the sales agreement is entered into;

(c) In the case of an instalment sale with the retention of title, Article 1523 of the Civil Code specifies that the buyer shall acquire ownership of the property with the payment of the last instalment, but shall assume the risks from the time of delivery. Thus, the revenue and related receivable shall be recognised upon delivery regardless of when ownership is transferred.

Receivables originating from rendering services shall be recognised on an accrual basis when the service is provided, i.e., when the service has been carried out.

30. Receivables originating for reasons other than the exchange of goods and services (e.g. loan transactions) shall be recorded in the financial statements if a “right” to the receivables exists, i.e. if they actually represent a third party obligation to the company.

31. Receivables collectible in exchange for an asset other than cash shall be measured at the current market value of such assets.

Initial recognition of receivables measured at amortised cost

32. Article 2426(1)(8) requires that receivables shall be recognised in the financial statements in accordance with the amortised cost criterion taking into account the time factor.

33. The amortised cost criterion may not be applied to receivables if the effects of doing so are immaterial relative to the value determined based on paragraphs 46-48. Generally, the impact is immaterial for short-term receivables (i.e. those with a maturity shorter than 12 months).

Amortised cost without discounting

34. When a receivable is first recognised, the initial carrying amount shall be represented by the nominal value of the receivable, subject to paragraphs 41-45, net of all premiums, discounts and rebates, and including any costs directly attributable to the transaction that generated the receivable.

35. Transaction costs, any commission income and expense, and any difference between the initial value and the nominal value at maturity shall be included in the calculation of amortised cost using the effective interest rate criterion, which requires them to be amortised over the expected life of the receivable. Their amortisation shall supplement or be an adjustment to the interest income calculated at the nominal rate (following the same classification for them in the income statement) so that the effective interest rate remains a fixed interest rate over the life of the
receivable to be applied to its carrying amount, with the exception of the recognition of changes attributable to cash flows from variable benchmark rates where applicable (see paragraph 53). It is allowable not to apply the amortised cost criterion if the impact is immaterial; this can be assumed when transaction costs, fees paid among the parties and any other difference between the initial value and value at maturity are not material.

36. Transaction costs that are expected to be incurred at the time of any subsequent sale of the receivable shall not be included in the measurement of the receivable at amortised cost.

37. In accordance with the effective interest criterion, the effective interest rate shall be calculated upon initial recognition of the receivable and then used for its subsequent measurement. The effective interest rate is the internal rate of return, which remains constant over the life of the receivable, which makes the present value of future cash flows from the receivable equal to its value at initial recognition. See paragraph 53 for contractual interest at a variable rate.

38. The future cash flows to be used for the calculation of the effective interest rate shall be determined taking into consideration all contractual terms of the transaction that produced the receivable including expected collection and payment maturity dates, the nature of cash flows (principal or interest) and the probability that the collection or prepayment will occur when required by the agreement. See paragraph 51 if there is a change in estimated future cash flows.

39. Future cash flows to be used to calculate the effective interest rate shall not include future losses and impairments of receivables unless the losses are reflected in the initial carrying amount of the receivable since it was acquired at a price that reflects estimated losses due to uncollectibility.

40. Payment maturity dates under the agreement shall not be considered when determining future cash flows if at the time of initial recognition, it can be objectively demonstrated, on the basis of experience or other documented factors, that the receivable will be collected on dates following the contractual maturity dates, and provided the amount of the delay in collections can be reasonably estimated on the basis of available information.

**Amortised cost with discounting**

41. Article 2426(1)(8) states that it is necessary to take into account the “time factor” when measuring receivables. At the time of initial recognition, the contractual interest rate must be compared with the market interest rate to take into account the time factor. The market interest rate is the rate that would have been applied if two independent parties had negotiated a similar transaction with terms and conditions comparable to those applicable to the transaction concerned.

42. If the contractual interest rate differs significantly from the market interest rate, the market interest rate must be used to discount future cash flows resulting from the receivable. In this case, the initial carrying amount of the receivable shall be equal to the present value of future cash flows plus any transaction costs as defined in paragraph 19. The contractual interest rate (to be compared with the market rate) shall include contractual fees among parties to the transaction and any other difference between the receivable’s initial value and value at maturity, and shall not
include transaction costs as defined in paragraph 19; however, if the contractual fees among the parties and any other difference between the initial value and value at maturity are not significant, the contractual rate for the transaction may be approximated by the nominal interest rate.

43. Once the initial carrying amount has been determined after discounting, it is necessary to calculate the effective interest rate, meaning the internal rate of return, which remains constant over the life of the receivable, which makes the present value of future cash flows from the receivable equal to its value at initial recognition. Except for the case indicated in paragraph 53, if the effective interest rate determined at the time of initial recognition later diverges from market rates, it shall, however, not be updated.

44. Trade receivables with a maturity longer than 12 months after their initial recognition, without the payment of interest, or with interest that differs significantly from market interest rates, and the related revenues, shall initially be recognised at a value determined by discounting future cash flows at the market interest rate. The difference between the value at which the receivable is initially recognized in this manner and the value at maturity must be recognised in the income statement as financial income over the life of the receivable using the effective interest rate criterion.

45. In the case of financial receivables, the difference between the cash disbursed and present value of future cash flows, determined pursuant to paragraph 42 using the market interest rate, shall be recognised under financial income or expenses in the income statement at the time of initial recognition, unless the substance of the transaction or the agreement leads to assigning a different nature to this component. In this case, the company shall assess all facts and circumstances characterising the agreement or transaction.

**Initial recognition of receivables not measured at amortised cost and not subject to discounting in abridged financial statements (Article 2435-bis of the Civil Code) and in the financial statements of micro-undertakings (Article 2435-ter of the Civil Code)**

46. In abridged financial statements prepared pursuant to Article 2435-bis of the Civil Code and in the financial statements of micro-undertakings prepared pursuant to Article 2435-ter of the Civil Code, receivables may be measured at their estimated realisable value without applying the amortised cost measurement criterion and discounting.

47. If the company takes advantage of this option, paragraphs 32-45 shall not apply, and the receivable shall be initially recognised at nominal value net of premiums, discounts and the rebates specified in the agreement or otherwise granted. When the automatic application of default interest is required by law for late payments in commercial transactions, the related interest shall be recognised in item C16 Other financial income, sub-item d). If the collection of interest is in doubt, a provision for doubtful debts shall be made based on the estimated likelihood of recovery.

48. Initial transaction costs shall be recognised under prepaid expenses in asset category D in the balance sheet.
MEASUREMENT AND SUBSEQUENT RECOGNITION

Subsequent measurement of receivables measured at amortised cost

49. At the end of the financial year, the value of receivables measured at amortised cost shall be equal to the present value of future cash flows discounted at the effective interest rate.

50. Following initial recognition, the procedure for determining the value of receivables measured at amortised cost to be recorded in the financial statements shall be as follows:
   a) Determine the amount of interest calculated using the effective interest rate criterion on the carrying amount of the receivable at the beginning of the financial year or on the most recent initial recognition date;
   b) Add the amount of interest obtained in this manner to the previous carrying amount of the receivable;
   c) Subtract collections of interest and principal during the period;
   d) Subtract impairments to the estimated realisable value and losses on receivables.

51. If, following initial recognition, the company revises its estimates of future cash flows (e.g. it projects that the receivable will be repaid before or after maturity), it must adjust the receivable’s carrying amount to reflect the recalculated estimated cash flows. The company shall recalculate the receivable’s carrying amount as at the date the cash flows are estimated by discounting the redetermined cash flows at the effective interest rate calculated at the time of initial recognition. The difference between the redetermined present value of the receivable as at the date the future cash flows are revised and its previous carrying amount as at the same date shall be recognised in the income statement under financial income or expenses. If a receivable is collected in advance, any difference between the receivable’s remaining carrying amount and the collection related to its prepayment shall be recognised in the income statement under financial income or expenses.

52. The effective interest rate determined at the time of initial recognition shall not be subsequently recalculated, and shall be applied until the receivable is repaid, with the exception of the case described in paragraph 53.

53. When the contractual nominal interest rate is variable and based on market rates, future cash flows shall be redetermined periodically to reflect the changes in market interest rates, and the effective interest rate shall be recalculated starting on the date on which interest was recognised based on the agreement. When calculating the effective interest rate, as an alternative to using the expected rate curve, the latest available rate may be projected. It is not necessary to calculate the effective interest rate when the nominal interest rate rises or falls in the manner pre-established in contractual forecasts, and its changes are not due to market-based indexes. There may be contractual provisions for “step-ups” and “step-downs” that call for pre-established increases or decreases in the nominal interest rate (e.g. a rate of 4% in the first year, 6% in the second year and 8% in the third year until due date).
54. Financial discounts and rebates (e.g. for immediate cash payments) that did not contribute to the calculation of amortised cost since they were unforeseeable at the time of the receivable’s initial recognition shall be recognised at the time of collection as financial expenses.

Subsequent measurement of receivables not measured at amortised cost in abridged financial statements (Article 2435-bis of the Civil Code and in the financial statements of micro-undertakings (Article 2435-ter of the Civil Code)

55. In abridged financial statements prepared pursuant to Article 2435-bis of the Civil Code and in the financial statements of micro-undertakings prepared pursuant to Article 2435-ter of the Civil Code, receivables may be measured at their estimated realisable value without applying the amortised cost measurement criterion and discounting.

56. If the company takes advantage of this option, paragraphs 49-54 shall not apply, and the subsequent measurement of the receivable shall be carried out at nominal value plus interest calculated at the nominal interest rate, less collections received in principal and interest and net of estimated impairments and losses on receivables recorded to reduce the receivable to its estimated realisable value.

57. Financial discounts and rebates (e.g. for immediate cash payments) that did not contribute to the calculation of estimated realisable value since they were unforeseeable at the time of the receivable’s initial recognition shall be recognised at the time of collection as financial expenses.

58. Initial transaction costs, which are recognised under prepaid expenses, shall be amortised on a straight-line basis over the life of the receivable as an adjustment to nominal interest income.

Estimate of impairments of receivables measured at amortised cost and receivables not measured at amortised cost

59. Receivables shall be presented in the financial statements net of the provision for doubtful debts. A receivable must be impaired in the financial year when it is deemed likely that the receivable is impaired.

60. In order to estimate the provision for doubtful debts, a company must assess whether there are indicators showing that it is likely the receivable has been impaired. Examples of these indicators are provided below:
   - significant financial difficulties of the debtor;
   - a breach of contract, such as a default or delinquency in interest or principal payments;
   - the creditor, for economic or legal reasons relating to the debtor’s financial difficulty, grants the latter a concession that the creditor would not otherwise consider;
   - it is likely that the debtor will declare bankruptcy or initiate other financial reorganisation procedures;
– observable data that indicate there is a significant decrease in estimated future cash flows for a receivable, including unfavourable national or domestic economic conditions or unfavourable changes in economic conditions in the debtor’s industry.

61. Verifying whether there are indicators of impairment varies as a function of the composition of receivable items. This verification shall be carried out for each individual receivable if there is a limited number of receivables.
   If, instead, there are many receivables of an immaterial individual amount, this verification may be carried out on the receivables portfolio as a whole in accordance with the rules of paragraph 62.
   If there are many receivables, but some of them are of a material individual amount, the verification of the existence of impairment indicators shall be carried out in relation to individual receivables for receivables of a material individual amount, but can be done as a portfolio for remaining receivables.

62. If the estimate of the provision for doubtful debts is done at the portfolio level, receivables shall be grouped on the basis of similar credit risk characteristics that are indicative of the ability of debtors to pay all amounts due in accordance with contractual conditions (e.g. the debtors’ industry, geographic area, guarantees provided, past due categories, etc.). In these cases, formulas to determine impairment may be applied to the aforementioned receivable categories (e.g. a percentage of receivables that are representative of historical average losses adjusted as necessary to take into account current economic conditions).

63. The provision for doubtful debts for receivables covered by guarantees (e.g. secured by a lien, mortgage or guarantee) shall take into account the impact of drawing on the guarantee.

64. The provision for doubtful debts shall be limited to the portion not covered by insurance only if there is reasonable certainty that the insurance company will pay the compensation.

65. The provision for doubtful debts allocated at the end of the financial year shall be used in future financial years to cover losses incurred on receivables.

Impact of impairments and reversals of receivables measured at amortised cost

66. The amount of the impairment as at the reporting date shall be equal to the difference between the carrying amount and estimated future cash flows reduced by amounts expected not to be collected, discounted at the original effective interest rate of the receivable (i.e. at the effective interest rate calculated at the time of initial recognition). The amount of the impairment must be recognised in the appropriate income statement items.

67. The calculation of the present value of estimated future cash flows of a receivable covered by a guarantee shall reflect the cash flows that may result from drawing on the guarantee less the costs for doing so, taking into account whether it is likely that the guarantee can actually be drawn.

68. If in a future financial year all or a part of the reasons that previously led to accounting for impairment no longer apply (e.g. due to an improvement in the debtor's solvency), the impairment
previously recognised must be reversed. The receivable’s reversal must not result in a receivable being greater than the amortised cost that would have been reported if the impairment had never been recognised.

Impact of impairments and reversals of receivables not measured at amortised cost in abridged financial statements (Article 2435-bis of the Civil Code and in the financial statements of micro- undertakings (Article 2435-ter of the Civil Code)

69. Receivables shall be recorded at their nominal value less impairments. The amount of the impairment must be recognised in the income statement in accordance with the rules described in paragraphs 59-65.

70. If in a future financial year all or a part of the reasons that previously led to accounting for impairment no longer apply (e.g. due to an improvement in the debtor's solvency), the impairment previously recognised must be reversed. The receivable’s reversal must not result in a receivable being of an amount greater than the amount that would have been reported if the impairment had never been recognised.

DERECOGNITION OF RECEIVABLES

71. The company shall derecognise a receivable from the financial statements when:
   a) The contractual rights to cash flows from the receivable expire (partially or fully); or
   b) Title to the contractual rights to cash flows from the receivable is transferred along with substantially all risks related to the receivable1.

72. Contractual rights expire as a result of payments, the lapse of receivable claims, settlements, waivers of the receivable, invoice adjustments and any other event that eliminates the right to demand specific amounts of cash or goods/services of an equivalent amount, from customers or other parties.

73. For the purposes of assessing the transfer of risks, all contractual provisions shall be taken into account, including, but not limited to, repurchase obligations upon the occurrence of certain events, or any fees, deductibles or penalties due to failure to pay.

74. When the receivable is derecognised from the financial statements as a result of a sale transaction that entails the substantial transfer of all risks, the difference between the compensation received and carrying amount of the receivable at the time of sale shall be recognised as a loss on receivables to be recorded in item B14 of the income statement, unless the agreement does not make it possible to identify operating components of a financial or other nature.

75. When the sale of a receivable does not result in its derecognition from the financial statements because the company has not transferred substantially all risks, the receivable that continues to be

1 It should be noted that with the exception of exceptional cases, the transfer of risks also implies the transfer of rewards.
recorded in the financial statements shall be subject to the general measurement rules specified in this standard.

If a portion of the compensation agreed to by the buyer is advanced, a financial payable shall be recorded as a balancing entry for the advance received.

76. For sales that do not entail the derecognition of the receivable from the financial statements, transaction costs shall normally be reflected in the interest and fees to be paid to the buyer, which are recognised separately in the income statement based on their nature.

77. If, as a result of the sale, substantially all risks related to the receivable are transferred, but certain minimal risks remain with the seller, if the conditions specified in OIC 31 “Provisions for Risks and Charges and Post-Employment Benefits” are met, it might be necessary to apply an appropriate provision.

NOTES TO THE FINANCIAL STATEMENTS

Information on companies that prepare financial statements in ordinary form

78. With regard to receivables, Article 2427 (1) of the Civil Code requires the following information to be disclosed in the notes to the financial statements:

1) the basis for measuring financial statement items, making value adjustments and converting amounts not expressed originally in the currency used as legal tender in the country;

2) changes in fixed assets, indicating for each item: cost; previous revaluations, amortisation, depreciation and impairments; purchases; reclassifications from one item to another; disposals occurring during the financial year; revaluations, amortisation, depreciation and impairments applied during the financial year; total revaluations affecting existing fixed assets at the end of the financial year (with regard to receivables classified under financial fixed assets);

4) changes made to the balance of other asset, liability and shareholders’ equity items; in particular, for shareholders’ equity items and for provisions and post-employment benefits, how they were formed and used;

6) separately for each item, the amount of receivables and payables with a remaining term greater than five years, and payables covered by valuable security consisting of company assets, with specific information on the nature of the guarantees, and a specific breakdown by geographic areas;

6-ter) separately for each item, the amount of receivables and payables calling for a purchaser’s forward repurchase obligation.

When providing the information referenced in Article 2427(1)(1) of the Civil Code, the company shall disclose in the notes to the financial statements the reasons that led it, pursuant to paragraph 45, to conclude that the difference between the cash disbursed and present value of future cash flows was of a non-financial nature.
The guideline on geographic breakdown indicated in Article 2427(1)(6) of the Civil Code shall apply to all the company’s receivables.

The notes to the financial statements shall also disclose the following if material:

- the effective interest rate and maturities;
- the amount of receivables for which payment conditions were modified and the related impact on the income statement;
- the amount of receivables provided to guarantee its payables or obligations;
- the amount of default interest included in past-due receivables with a breakdown of those deemed recoverable and those deemed irrecoverable;
- the degree of concentration of receivables if the phenomenon of receivable concentration exists; the nature of creditors and the composition of item BIII2d-bis) and CII5-quater Receivables from others.

79. Article 2423(4) of the Civil Code specifies that it is not necessary to comply with recognition, measurement, presentation and disclosure requirements when doing so has an immaterial impact on providing a true and fair view. However, requirements concerning the regular maintenance of accounting entries shall remain unchanged. Companies shall disclose in the notes to the financial statements the criteria used to implement this provision. If, for example, a company required to apply the amortised cost criterion decides not to use it for receivables with a maturity of less than 12 months, or not to discount a receivable if the contractual interest rate does not differ significantly from the market interest rate, pursuant to this regulatory provision, the company shall disclose the accounting policies used in the notes to the financial statements.

80. Article 2424(2) of the Civil Code specifies that if an asset or liability element falls under several items of the layout, its inclusion in items other than the item where it is recorded must be disclosed in the notes to the financial statements if deemed necessary for the purposes of understanding the financial statements. This rule affects receivables when, for example, a trade receivable from parent companies is classified under receivables from parent companies. This shall be disclosed in the notes to the financial statements.

81. With regard to fixed receivables recorded at an amount greater than their fair value, Article 2427-bis(1)(2) of the Civil Code has a requirement to disclose in the notes to the financial statements the reasons why carrying amount was not reduced, including the nature of substantive information that led to the conviction that this value could be recovered.

For receivables, there are actually no prices available on active and liquid markets. Thus, it is necessary to use valuation models, including discounted cash flow (DCF), i.e., the calculation of the present value of future cash flows, which is certainly the most common.

82. The information to be disclosed in the notes to the financial statements in relation to receivables from subsidiaries, associates, parent companies, undertakings subject to the control of parent companies and other related parties is regulated by OIC 12 “Financial Statement Composition and Layouts”.

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Similarly, information on receivables from entities that carry out management and coordination activities and from other companies subject to such management and coordination are regulated by OIC 12.

**Information on companies that prepare abridged financial statements (Art. 2435-*bis* of the Civil Code)**

83. With regard to receivables, the following information required by Article 2427 (1) of the Civil Code shall be disclosed in the notes to the abridged financial statements:
   1) the basis for measuring financial statement items, making value adjustments and converting amounts not expressed originally in the currency used as legal tender in the country;
   2) changes in fixed assets, indicating for each item: cost; previous revaluations, amortisation, depreciation and impairments; purchases; reclassifications from one item to another; disposals occurring during the financial year; revaluations, amortisation, depreciation and impairments applied during the financial year; total revaluations affecting existing fixed assets at the end of the financial year (with regard to receivables classified under financial fixed assets).

84. Thus, the notes to the financial statements must disclose the basis for measuring receivables in the event the amortised cost criterion is used, and if the option not to measure receivables using this criterion is exercised.

85. Article 2423(4) of the Civil Code specifies that it is not necessary to comply with recognition, measurement, presentation and disclosure requirements when doing so has an immaterial impact on providing a true and fair view. However, requirements concerning the regular maintenance of accounting entries shall remain unchanged. Companies shall disclose in the notes to the financial statements the criteria used to implement this provision.

**Information on micro-undertakings (Article 2435-*ter* of the Civil Code)**

86. Micro-undertakings are exempt from preparing the notes to the financial statements if the information required by Article 2427(1)(9 and 16) of the Civil Code is presented at the foot of the balance sheet.

87. Micro-undertakings that prepare notes to the financial statements shall comply with paragraphs 83 to 85-.

**EFFECTIVE DATE**

88. This edition of OIC 15 shall apply to financial statements related to financial years beginning on or after 1 January 2016.
FIRST-TIME APPLICATION PROVISIONS

89. Article 12(2) of Legislative Decree 139/2015 specifies that it is permitted not to apply the modifications specified by Article 2426(1)(8) of the Civil Code (amortised cost criterion) to components of items related to transactions that have not fully exhausted their impact in the financial statements. If this option is exercised, the company shall use amortised cost solely for receivables arising after financial years beginning on 1 January 2016, and the exercise of this option shall be disclosed in the notes to the financial statements.

90. If the company does not exercise the option indicated in paragraph 89, the amortised cost criterion and discounting of receivables must be applied to all receivables retroactively. The impact resulting from the difference between the amount of the receivable recorded in the financial statements for the preceding financial year as at the reporting date on which the new rules are applied (normally 31 December 2015) and the amount of the receivable calculated at amortised cost (and discounted as necessary) at the beginning of the financial year when these rules are first applied (normally 1 January 2016) shall be allocated to retained earnings (losses) in shareholders’ equity net of the tax effect. Any impact arising during the financial year shall be allocated to the income statement of the current financial year.

Article 2423-ter(5) of the Civil Code specifies that for each item of the balance sheet and income statement the amount of the corresponding item for the preceding financial year must be presented. If items are not comparable, those from the preceding financial year must be adjusted appropriately, and the inability to compare and the adjustment, or inability to adjust items, must be disclosed with comments in notes to the financial statements.

Therefore, solely for comparison purposes, the balance sheet and income statement items for the financial year preceding the financial year of first-time application shall be presented as if this standard had always been applied, and the difference, which is recognised in the retained earnings (losses) of shareholders’ equity in the financial year when these rules are first applied (normally the financial year beginning 1 January 2016) shall be presented in the comparison statement with separate reporting of:

- the cumulative impact resulting from the change in principle as at the beginning date of the preceding financial year (normally 1 January 2015) in retained earnings (losses) of shareholders’ equity;
- the portion related to the impact arising in the preceding financial year in the profit or loss for the preceding financial year.

91. If a company that prepares abridged financial statements, or a micro-undertaking decides to opt for the amortised cost criterion, paragraphs 89-90 shall apply. These paragraphs shall also apply if a company that prepares abridged financial statements or a micro-undertaking becomes a company that prepares financial statements in ordinary form.

92. The following are considered cases of voluntary changes in accounting principles, and shall therefore be governed by OIC 29:
– a company that prepares financial statements in ordinary form that becomes a company that prepares abridged financial statements or a micro-undertaking, and decides to no longer apply the amortised cost criterion and discounting;
– a company that prepares abridged financial statements (Article 2435-bis of the Civil Code) or a micro-undertaking (Article 2435-ter of the Civil Code) that decides optionally to no longer apply the amortised cost criterion and discounting.

93. The provisions related to the determination of the provision for doubtful debts contained in paragraphs 59-65 shall apply to all receivables reported in the first financial statements in which the new provisions are applied.

94. Any impact resulting from the application of other amendments made to the previous version of OIC 15 may be reflected in the financial statements prospectively pursuant to OIC 29. Thus, components of items related to transactions that have not exhausted their impact on the financial statements may continue to be recorded in accordance with the previous principle.
APPENDIX A - MAIN SITUATIONS INVOLVING THE DISPOSAL OF RECEIVABLES AND RELATED ACCOUNTING TREATMENT

This appendix is an integral part of the standard.

Below is a list of some of the transactions that may involve receivables together with the related accounting treatment.

Cases involving the derecognition of a receivable from the financial statements:
- forfaiting;
- giving a receivable as payment (*datio in solutum*);
- contribution of a receivable;
- sale of a receivable, including factoring in a sale without recourse transferring substantially all risks of the receivable;
- securitisation with the transfer of substantially all risks of the receivable.

Cases involving maintaining a receivable in the financial statements:
- granting receivable collection authority, including the receivable collection authority granted to a factoring company and collection orders;
- notes receivable endorsed for collection;
- a lien on receivables;
- assignment for the purposes of providing a guarantee;
- discounting, sales with and without recourse that do not transfer substantially all risks related to the receivable;
- securitisation transactions that do not transfer substantially all risks related to the receivable.
APPENDIX B - ACCOUNTING FOR RECEIVABLE SALE TRANSACTIONS WITHOUT THE TRANSFER OF SUBSTANTIALLY ALL RISKS RELATED TO THE RECEIVABLE

This appendix is an integral part of the standard.

A hypothetical case is provided below:

- The company records in its financial statements as at 31.12.X a receivable totalling 90 at its estimated realisable value. The nominal value of the receivable is 100;
- The receivable is due on 31.12.X+1 and is not interest-bearing;
- The receivable is sold with recourse on 1.1.X+1 at an amount of 81.8. The sale price represents the present value of the receivable sold and does not reflect any estimated losses from a deterioration of the receivable’s estimated realisable value;
- If the receivable is collected in an amount greater than the sale amount, the sale agreement specifies that the buyer is not required to refund the difference.

The sale is accounted for as follows:

- The receivable sold is not derecognised from the financial statements and remains recorded at 90;
- For the cash received from the buyer (81.8), a payable of the same amount is recorded;
- The difference between the sale amount and carrying amount at the time of the sale (90 - 81.8 = 8.2) is recognised as interest expense in financial year X+1. At 31.12.X+1 (the date the receivable is collected), the company derecognises the receivable from the financial statements with a balancing entry of the payable recognised at the time of the sale, increased by interest expense accrued during the financial year. If the receivable is collected by the buyer at an amount equal to or greater than 90 (the estimated realisable value recorded in the financial statements of the seller), no further income statement components are recorded other than financial expenses (8.2). If the receivable is collected in a lower amount, the seller company recognises a further loss, equal to the amount it is required to refund to the buyer since the full sale amount was not collected.
RECEIVABLES IN CIVIL LAW

Following is a list of the rules of the Civil Code that apply to the accounting treatment and to the disclosure in the notes to the financial statements of receivables.

- Article 2359: “Sono considerate società controllate:
  1) le società in cui un’altra società dispone della maggioranza dei voti esercitabili nell’assemblea ordinaria;
  2) le società in cui un’altra società dispone dei voti sufficienti per esercitare un’influenza dominante nell’assemblea ordinaria;
  3) le società che sono sotto influenza dominante di un’altra società in virtù di particolari vincoli contrattuali con essa.

Ai fini dell’applicazione dei nn. 1 e 2 del primo comma si computano anche i voti spettanti a società controllate, a società fiduciarie e a persone interposta: non si computano i voti spettanti per conto di terzi.

Sono considerate collegate le società sulle quali un’altra società esercita un’influenza notevole.

L’influenza notevole si presume quando nell’assemblea ordinaria può essere esercitato almeno un quinto dei voti ovvero un decimo se la società ha azioni operative in mercati regolamentati”.

- Article 2423(4): “Non occorre rispettare gli obblighi in tema di rilevazione, valutazione, presentazione e informativa quando la loro osservanza abbia effetti irrilevanti al fine di dare una rappresentazione veritiera e corretta. Rimangono fermi gli obblighi in tema di regolare tenuta delle scritture contabili. Le società illustrano nella nota integrativa i criteri con i quali hanno dato attuazione alla presente disposizione”.

- Article 2423-ter(5): “Per ogni voce dello stato patrimoniale e del conto economico deve essere indicato l’importo della voce corrispondente dell’esercizio precedente. Se le voci non sono comparabili, quelle relative all’esercizio precedente devono essere adattate; la non comparabilità e l’adattamento o l’impossibilità di questo devono essere segnalati e commentati nella nota integrativa”.

- Article 2423-ter(6): “Sono vietati i compensi di partite”.

- Article 2424(2): “Se un elemento dell’attivo o del passivo ricade sotto più voci dello schema, nella nota integrativa deve annotarsi, qualora ciò sia necessario ai fini della comprensione del bilancio, la sua appartenenza anche a voci diverse da quella nella quale è iscritto”.

- Article 2426(1)(8): “i crediti e di debiti sono rilevati in bilancio secondo il criterio del costo ammortizzato, tenendo conto del fattore temporale e, per quanto riguarda i crediti, del valore di presumibile realizzo”.


- Article 2427(1)(1): “La nota integrativa deve indicare (...) i criteri applicati nella valutazione delle voci di bilancio, nelle rettifiche di valore e nella conversione dei valori non espressi all’origine in moneta avente corso legale nello Stato”.

- Article 2427(1)(2): “La nota integrativa deve indicare (...) i movimenti delle immobilizzazioni, specificando per ciascuna voce: il costo; le precedenti rivalutazioni, ammortamenti e svalutazioni; (...) le rivalutazioni, gli ammortamenti e le svalutazioni effettuati nell’esercizio; (...)”.

- Article 2427(1)(4): “La nota integrativa deve indicare (...) le variazioni intervenute nella consistenza delle altre voci dell’attivo e del passivo; (...)”.

- Article 2427(1)(6): “La nota integrativa deve indicare (...) distintamente per ciascuna voce, l’ammontare
Article 2427(1)(6-ter) “La nota integrativa deve indicare (...) distintamente per ciascuna voce, l’ammontare dei crediti e dei debiti che prevedono l’obbligo per l’acquirente di retrocessione a termine”.

Article 2435-bis(2): “Nel bilancio in forma abbreviata lo stato patrimoniale comprende solo le voci contrassegnate nell’art. 2424 con lettere maiuscole e con numeri romani; le voci A e D dell’attivo possono essere comprese nella voce CII; (…); nelle voci CII dell’attivo e D del passivo devono essere separatamente indicati i crediti e i debiti esigibili oltre l’esercizio successivo”.

Article 2435-bis(3): “Nel conto economico del bilancio in forma abbreviata le seguenti voci previste dall’art. 2425 possono essere tra loro raggruppate:

- voci B10(a), B10(b), B10(c);
- voci C16(b) e C16(c);
- voci D18(a), D18(b), D18(c) e D18(d);
- voci D19(a), D19(b), D19(c) e D19(d).”.

Article 2435-bis(5): “Fermo restando le indicazioni richieste dal… quarto ….comma dell’articolo 2423 … la nota integrativa fornisce le indicazioni richieste dal primo comma dell’articolo 2427, numeri 1), 2)....”.

Article 2435-bis(8): “Le società che redigono il bilancio in forma abbreviata, in deroga a quanto previsto dall’articolo 2426, hanno la facoltà di iscrivere… i crediti al valore di presumibile realizzo….”.

Article 2435-ter(2): “Fatte salve le norme del presente articolo, gli schemi di bilancio e i criteri di valutazione delle micro-imprese sono determinati secondo quanto disposto dall’articolo 2435-bis. Le micro imprese sono esonerate dalla redazione: … 2) della nota integrativa quando in calce allo stato patrimoniale risultino le informazioni previste dal primo comma dell’articolo 2427, numeri 9) e 16); …”.

Article 1243(1): “La compensazione si verifica solo tra due debiti che hanno per oggetto una somma di denaro o una quantità di cose fungibili dello stesso genere e che sono ugualmente liquidi ed esigibili”.

Article 1523(1): “Nella vendita a rate con riserva della proprietà, il compratore acquista la proprietà della cosa col pagamento dell’ultima rata del prezzo, ma assume i rischi dal momento della consegna”.

The provisions of the Civil Code concerning classification in the balance sheet and income statement layouts are referenced in accounting standard OIC 12 “Financial Statement Composition and Layouts”.