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IFRS Interpretations Committee  
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**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 2014) on IAS 8 – “*Distinction between a change in accounting policy and a change in accounting estimate*” and on IAS 39 – “*Accounting for Repo transaction*”.

Moreover we would like to provide our comments on IFRS 11 – “*Accounting for interests in joint operations structured through separate vehicles*”, even if no contribution is required on this item.

We are writing to communicate some concerns about the tentative decisions reached on the above-mentioned issues and on IFRS 11.

**IAS 8 - Distinction between a change in accounting policy and a change in accounting estimate**

The issue relates to the distinction between a change in an accounting policy and a change in an accounting estimate, in relation to the application of IAS 8 Accounting Policies, Changes in accounting Estimates and Errors.

The IFRS IC decided not to add this issue to its agenda because it noted that the principal guidance on distinguishing a change in accounting policy from a change in accounting estimate is set out in paragraphs 5 and 35 of IAS 8 and any amendment to the Standard would be too broad for it to address within the confines of existing IFRSs. Therefore, the IFRS IC considered that it should bring the issue to the IASB’s attention for future consideration in the Disclosure project and/or the *Conceptual Framework* project.

We agree with the IFRS IC’s tentative decision to bring the issue to IASB’s attention, but we believe that IASB should address it in an *ad hoc* project, because the lack of a clear distinction could lead to an inconsistent application of the IAS 8.

## **IAS 39 – Accounting for Repo transaction**

The issue relates to the separate or aggregate accounting for three transactions and to the application of paragraph B.6 of Guidance on Implementing IAS 39 *Financial Instruments: Recognition and Measurement* ('IG B.6 of IAS 39') in addressing the first issue.

It is our understanding that the tentative conclusion of the IFRS IC to reject the request for interpretation stems from the difficulty of finding a common solution to the accounting for the transactions, as it may vary according to the specific contract clauses. Such a conclusion seems to be corroborated by the fact that the business purpose is, in the opinion of the IFRS IC, unclear.

The position of the IFRS IC triggers the following considerations:

- The lack of clarity about the business purpose may have been determined by the absence of elements in the submission. However, we believe that in the staff paper presented to the IFRS IC in November there was a substantive description of the business purpose based on the text of submission (see para. 25 of the agenda paper 16). Analyzing carefully such a description of the business purpose, it is clear that the intention of the transaction was certainly not to simulate the effects of a derivative, such as a CDS.
- The relevance of the business purpose. The spotlight on the unclarity of the business purpose indicates that special attention should be given to such an indicator among those listed in para. B.6 of the IAS 39 IG.

Having considered such aspects, we are convinced that the IFRS IC should reconsider its conclusions in the light of a better understanding of the business purpose.

We acknowledge that application of the guidance in paragraph IG B.6 of IAS 39 requires judgement and that the presence or absence of any single specific indicator alone may not be conclusive. However, the issue is widespread and the absence of specific guidance on how to consider the indicators listed in para. IG B.6 could lead to the serious risk of a difference in practice. The IFRS IC should not underestimate this situation and should sooner rather than later provide preparers with adequate indications. We understand that the IASB may not want to develop further guidance in the application of the IAS 39. However, we note that the issue under consideration is identical in IFRS 9 and therefore it is expected that the IASB will deal with it sooner rather than later in the finalization of the IFRS 9.

## **IFRS 11 – Accounting for interests in joint operations structured through separate vehicles**

The issue relates to the accounting for interests in joint operations structured through separate vehicles. IFRS 11 *Joint Arrangements* requires a joint operator, in its separate financial statements, to account for its interest in a joint operation structured through a separate vehicle in the same manner as in the consolidated financial statements. This is the case regardless of whether the joint operation is structured through a separate vehicle or not.

Applying the requirements in IFRS 11 in the separate IFRS financial statements of a joint operator has created significant concerns in some jurisdictions, particularly those that require listed companies to present separate financial statements in accordance with IFRS. The issue arises when a joint operation is structured through a separate vehicle (for example a legal entity).

The OIC appreciates the IFRS IC's efforts to address many accounting issue related to the application of IFRS 11.

The OIC considers to be worthy of further analysis the issue identified by IFRS IC as "*Additional Issue 4: Nature of obligation for the liabilities*". Such an issue is very important especially in the cases in which the joint operation assessment is based on a "contractual arrangement". It is very important that IFRS IC give priority to this issue.

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

Yours sincerely,

Angelo Casò  
(Chairman)