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Re: EFRAG draft comment letter on Exposure Draft *Acquisition of an Interest in a Joint Operation (Proposed amendment to IFRS 11)*

Dear Françoise,

We are pleased to have the opportunity to provide our comments in order to contribute to the finalization of the EFRAG comment letter on Exposure Draft *Acquisition of an Interest in a Joint Operation (Proposed amendment to IFRS 11)*

We have some concerns about the proposals contained in the ED.

The main concern is that the proposed approach would remove the difference between a situation in which there is the acquisition of control and a situation in which there is the acquisition of a position different from the control.

IFRS 3 is applied, in fact, only in cases where there is a business combination which, by its own definition, implies the acquisition of control. The idea of extending the application of IFRS 3 to include the acquisition of an interest in a JO (which by definition implies joint control) seems to consider the mere fact that the JO is a business and not the fact that the buyer does not acquire the control.

Furthermore, the IASB should clarify the accounting treatment in case of acquisition (or sale) of additional interest without the acquisition of control. In particular, it is not clear if the accounting effect should be recognised in equity (as under IAS 27) or in the profit or loss.

The ED may also clarify the accounting treatment of step acquisitions in JO. In accordance to IFRS 3 for the business combinations the 30% (so-called non-controlling equity interest) should be measured at fair value with changes in profit or loss. It is not clear from the ED whether this measurement should be applied also in case of step acquisition in a JO.

With regard to the scope, the ED states that it would be applied to the acquisition of an interest in an existing joint operation, but also to the acquisition of an interest in a joint operation on its formation. However, the ED states that it should not be applied if the formation of the joint operation coincides with the formation of the business: it seems to refer to cases in which the activity that before the acquisition was not qualified as a business, in the JO can take instead the status of business. At this regard, we think that it would be appropriate to provide further clarification to avoid different application in practice.

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

Yours sincerely,
Angelo Casò