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EFRAG Supervisory Board
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Re: OIC comments on the ED of Proposed Amendments to IFRS 3 Business Combinations, Proposed Amendments to IAS 27 Consolidated and Separate Financial Statements and IAS 37 Provisions, Contingent Liabilities and Contingent Assets and IAS 19 Employee Benefits

Dear Sirs,

We are pleased to provide our comment on the “ED of Proposed Amendments to IFRS 3 Business Combinations, Proposed Amendments to IAS 27 *Consolidated and Separate Financial Statements* and IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and IAS 19 *Employee Benefits*”.

Question 1

- (a) Do you agree that that fundamental changes to concepts should first be discussed in the context of the Framework as a whole before introduced in new IFRSs?
- (b) Should changes to the Framework be proposed before or at the same time (in parallel) as they are proposed in Exposure Drafts of IFRSs, or is it acceptable for them to be proposed later?

Answer

We agree that fundamental changes to concepts should first be discussed in the context of the Framework as a whole before introduced in new IFRSs. In its document, EFRAG gives persuasive reasons.

Question 2

Do you see sufficient benefits of the proposed approach compared to costs incurred? If yes, what do you perceive those benefits to be?

Answer

It is difficult to say if the proposed approach has more benefits than costs without testing it. We have doubts about the conclusion that this approach increases the relevance and the reliability of the financial information.

Question 3

(a) Do you agree with the reasons for issuing the EDs as expressed by the Board and do you believe the overall objectives of the EDs will be achieved?

(b) Do you agree with the Board's analysis of benefits and costs of the EDs?

Answer

a) We do not believe that the overall objectives of the EDs will be achieved. We support the reasons that EFRAG gives in its document.

b) See answer to Question 2. In general, we are not convinced about the Board's analysis of benefits and costs of the EDs.

Question 4

(a) Do you believe that the scope of the ED of proposed amendments to IFRS 3 is sufficiently clear and consistent with the definition of a business combination?

(b) Do you agree that requiring one accounting method – the acquisition method - for all business combinations will result in a faithful representation of economic reality in all combinations?

Answer

a) We disagree. See the answers to the question on Amendments to IFRS 3.

b) We disagree. See the answers to the question on Amendments to IFRS 3.

Question 5

Is the conceptual inconsistency referred to in the previous paragraph such a practical problem that you believe the scope should be extended to acquisitions of all asset groups before the proposals of the EDs become mandatory?

Answer

We agree for the same reasons given by EFRAG in its document.

Question 6

Do you agree that the main provision of the EDs should be applied prospectively and not retrospectively?

Answer

We agree. We would prefer a prospective application because it is not reasonable to keep adjusting past operations in order to keep up with continuing amendments issuing from the IASB. It is very expensive for companies and does not enhance the credibility of the accounting rules.

Question 7

Do you agree with the change from a parent entity perspective to an economic entity view for consolidated accounts and do you believe that the entity view results in better information provided on a consolidated level?

Answer

We disagree for the same reasons given by EFRAG in its document. We believe that the entity view does not result in better information provided on a consolidated level.

Question 8

(a) Do you believe the move of the probability recognition criterion to measurement is a conceptual change and is not in conformity with the Framework?

(b) Do you believe that the new analysis provides adequate guidance on when an unconditional obligation should be recognised (obligating event) and, in particular, what level of uncertainty would preclude recognition?

(c) Do you agree with the proposals to the measurement of non-financial liabilities?

Answer

- a) We agree.
- b) We don't believe that the new analysis provides adequate guidance on when an unconditional obligation should be recognised (obligating event).
In general we disagree with the approach proposed because of a certain practical implications.
See our comments on ED of Proposed Amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*", question 2b.
- c) We disagree.

Yours sincerely

Prof. Angelo Provasoli
(OIC Chairman)