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Rome, June 27, 2006

Mr. Stig Enevoldsen
EFRAG TEG Chairman
Avenue Des Arts 41, 4th Floor
B-1040 Brussels
BELGIUM
commentletter@efrag.org

Subject: Draft Comment Letter on ED of Amendments to IAS 1
Presentation of Financial Statements: A Revised Presentation

Dear Mr. Enevoldsen,

we are pleased to provide our comments on the subject matter.

Question 1

We subscribe the EFRAG perplexities as to the timing of the proposed changes. However, we express certain comments on some of the proposed changes.

- (a) The proposed title “*Statement of Financial Position*” appears focused on the financing aspects of the entity, rather than on the structure of its net assets. It tends to recall the notions of liquidity and negotiability, at the expense of giving less emphasis to the elements forming the entity’s assets, particularly for the manufacturing enterprises, where the most significant elements are “productive” assets rather than financial ones. In addition, the current term “*Balance Sheet*” has a broad diffusion, is well known and used in the professional literature and it is promptly understood. Lastly, we doubt that the proposed title could be translated in other languages maintaining its original meaning, whilst “*Balance Sheet*” has a world-wide acceptance. Because of all these reasons we do not agree with the proposed change in terminology.
- (b) The proposed title “*Statement of Recognised Income and Expense*” is rather long and involved. We would then suggest to delete the adjective “*recognised*” that appears pleonastic, since any unrecognisable income or expense item could not be included in the statement.

Differently from EFRAG, we are contrary to permit the prepares of financial statements to adopt different titles for their various statements, as allowed by paragraph 31, since it would produce confusion. Each jurisdiction should have a unique set of terms to title

the relevant statements, as translated from the original English terms, as well as the English titles should be univocally stated.

Question 2

We agree with the proposed requirement to present a statement of financial position as at the beginning of the period, since it provides, without additional cost, a more effective tool for the financial analysis.

Question 3

See our comments to Question 1.

Question 4

We agree with this proposal, since presenting non-owner changes in equity separately from owner changes makes clearer and promptly perceived the different nature and source of the increases / decreases in the equity accounts.

We also agree with the EFRAG comment as to the necessity to better define the term “*owners*”.

Question 5

We do not agree that entities be permitted to present components of income and expense either in a single statement or in two statements. The comparability issue is a primary objective of the IFRS, as well as one of the drivers of their diffusion. Accordingly, comparability should be made easier to the possible extent. In addition, in the proposed change it is not clear under which conditions the entities may opt for a type of presentation or the other, nor whether they would be required to disclose the reasons for such choice.

The presentation of the result of the period is an essential information to the reader, who should be relieved from the need to reclassify the statements of different entities in order to compare them. We therefore suggest the Board to select only one of the two methods. For the sake of easiness, we prefer the single statement.

Question 6

We agree with the proposed requirement of a separate presentation of reclassification adjustments relating to income and expenses in other recognised income and expense in

two different periods. Such disclosure permits to better understand the changes occurred during the period and, consequently, the relevant management's decisions.

Question 7

There is no doubt that the disclosure of the tax effect is a significant information. Nevertheless, we do not understand the reasons behind the proposed requirement to disclose income tax relating to each component of other recognised income and expense. We do not see specific reasons for such a detail, which is not required for the other items of the statement of income and expense.

Moreover, each of such tax effects should be distinguished between the portion referred to current income taxes and that relating to deferred taxes, raising further complications and excessive detail. These would create even more difficulties and arbitrary allocations in the case of complex tax positions, which are always referred to the entity taken as a whole. It would, for example, be difficult to measure and allocate portions of tax loss carry-backs or carry-forwards to specific items included in the statement.

Because of the foregoing, we believe that the tax effect should be disclosed as a single item, referred to the net amount resulting from income and expenses, similarly to the method of presenting the statement of recognised income and expense.

Question 8

We agree with the proposed presentation of per-share measures.

Yours sincerely,

Prof. Angelo Provasoli
(OIC Chairman)