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IFRS Interpretations Committee
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Re: IFRS Interpretations Committee tentative agenda decisions published in the September 2017 IFRIC Update

Dear Ms Lloyd,

We are pleased to have the opportunity to provide our comments on the IFRS Interpretations Committee (‘the Committee’) tentative agenda decisions included in the September 2017 IFRIC Update.

IFRS 15 Revenue from Contracts with Customers—Revenue recognition in a real estate contract

We note that this tentative agenda decisions is divided in two parts:

- In the first part, the Committee considered the requirements in IFRS 15 and concluded that the principles and requirements in IFRS 15 provide an adequate basis for an entity to determine whether to recognise revenue over time or at a point in time for a contract for the sale of a real estate unit.
- In the second part, the Committee discussed the application of those requirements to the fact pattern described in the request and concluded that, in the fact pattern described, the entity should recognise revenue at a point in time applying paragraph 38 of IFRS 15.

We think that the Committee should not discuss the application of IFRS Standards to specific fact patterns, because this may have unintended consequences (ie an entity might apply the Committee’s conclusion to a similar fact pattern that should be accounted for in a different way).

In our view, the Committee should only assess whether the requirements in IFRS Standards are clear or need some clarifications or improvements.

Consequently, we think that the Committee should delete the second part of this tentative agenda decision.

IAS 28 Investments in Associates and Joint Ventures—Contributing property, plant and equipment to an associate

We agree with the Committee's conclusion that the entity recognises any gain or loss on contributing property, plant and equipment (PPE) to an associate to the extent of other investors' interests in the associate. However, we note that the tentative agenda decision includes this sentence:

"Paragraph 7 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors requires an entity to apply an IFRS Standard to a transaction when that Standard applies specifically to the transaction. The Committee observed, therefore, that unless a Standard specifically excludes common control transactions from its scope, an entity applies the applicable requirements in the Standard to common control transactions."

We think that this conclusion may have an impact on the similar issue discussed in the June 2017 Committee's meeting, ie IAS 28—*Acquisition of an associate or joint venture from an entity under common control* ('the June issue'). Reading the September 2017 IFRIC Update, we understand that the June issue will be discussed by the IASB in a future meeting. We think that Committee should:

- wait for the IASB decision on the June issue before finalising this tentative agenda decision or
- not include the conclusion that *"unless a Standard specifically excludes common control transactions from its scope, an entity applies the applicable requirements in the Standard to common control transactions"* in its final agenda decision, because this conclusion is also relevant for the June issue. The June issue is very similar to this issue, because in June the Committee discussed whether it is appropriate to apply by analogy the scope exception for business combinations under common control in paragraph 2(c) of IFRS 3 to the acquisition of an associate or a joint venture from an entity under common control.

We also note that the tentative agenda decision states that: *"The Committee observed that applying the requirements in IFRS Standards, an entity recognises a gain or loss on contributing PPE, and a carrying amount for the investment in the associate, that reflects the determination of those amounts based on the fair value of the PPE contributed"*. We think the Committee should explain in its final agenda decision why the gain or loss should be determined on the basis of the fair value of the PPE contributed.

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

Yours sincerely,
Angelo Casò
(Chairman)