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EFRAG
35 Square de Meeûs
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commentletter@efrag.org
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3 April 2013

Re: EFRAG draft comment letter on IASB Exposure Draft *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

Dear Françoise,

We are pleased to have the opportunity to provide our comments in order to contribute to the finalisation of the EFRAG comment letter on the Exposure Draft *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (the ED).

We generally concur with EFRAG's views on the ED as it remains unclear to us the reasons why the IASB has chosen to draw such a bright line among sales and contribution of a business and assets (or group of assets).

In the OIC's view, the issue arises from the revision of the IFRS 3 (2008) *Business Combinations* and the modification of the accounting treatment for the loss of control that has created a number of issues. Although this accounting principle is currently addressed in IFRS 10, we believe that the IASB should consider it in the post-implementation review of the IFRS 3.

Having said that we support the IASB's intention to develop a short term solution to remove divergence in practice, but we do not agree with the conclusions. We do not understand why there should be differentiated accounting for derecognition of a business from the derecognition of an asset. We believe that such an approach is difficult to be implemented.

The current definition of business has proved to be complex, to require significant judgment and has often raised debate among entities and auditors. Similar concerns have already been shared in the due process on *Improvements to IFRSs: 2011 – 2013 Cycle*.

Moreover such a difference should be implemented also in the separate financial statements of the entity which sells or contributes the investment in subsidiary to another entity. We acknowledge from our due process that doubts still exist on whether investments in subsidiaries in the separate financial statements should be considered either a business or an asset. We

note that in the current version of IAS 27 there is not any guidance on the loss of control of an investment in subsidiary. Therefore, it is not clear if IFRS 10 can be applied by analogy, or, just because the investment in subsidiary is not considered a business, the guidance in IFRS 10 cannot be applied.

In conclusion, between the two approaches considered, we would support the IASB to conclude by accepting one approach applicable in all the circumstances and preferably embracing the IAS 28 approach. Applying the IAS 28 approach would increase the consistency among the accounting for all the intragroup transactions.

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

Yours sincerely,

Angelo Casò

(Chairman)