



Grupo Latinoamericano  
de Emisores de Normas  
de Información Financiera

Group of Latin-american  
Accounting Standard Setters

November 30, 2011

International Accounting Standards Board  
30 Cannon Street  
London EC4M 6XH  
United Kingdom

**RE: Agenda Consultation 2011**

Dear Board Members,

The “Group of Latin American Accounting Standard Setters” – GLASS<sup>1</sup> welcomes the opportunity to comment on the Agenda Consultation 2011.

This response summarizes the views of our country-members, in accordance with the following due-process.

**Due-process**

The discussions in regard to the Agenda Consultation were held within a specified Technical Working Group (nominated *TWG – Agenda Consultation*, hereafter TWG-AC), created on 21 August, 2011. All country-members had the opportunity to designate at least one member to constitute this TWG, and the following countries did so: Argentina, Brazil (coordinator of this TWG), Ecuador, Mexico, Uruguay and Venezuela.

The TWG-AC developed a questionnaire in three languages that was made available through the internet for a widespread group of constituents in the region and was also used by the TWG-AC members during more than 20 outreach sessions hosted in the six countries represented in the TWG-AC.

Individually, TWG-AC members summarised the answers from their respective countries. At a second stage, the answers presented in every country’s summaries were compared and discussed; then clustered as follows:

- High priority: we believe these topics should be included at the top of the IASB’s agenda. High Priority projects were subclassified between “comprehensive projects” and “narrowed/targeted projects”, in order to indicate the expected effort they will require from the IASB.
- Very important but not urgent: we believe these are also important but that their consideration by the IASB could be deferred, if necessary.

If you have any questions about our comments, please contact [glenif@glenif.org](mailto:glenif@glenif.org).

Yours sincerely,

A handwritten signature in black ink, appearing to read "Juarez Domingues Carneiro", written over a circular stamp or seal.

**Juarez Domingues Carneiro**  
Chairman

Group of Latin American Accounting Standard Setters (GLASS)

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<sup>1</sup> The general objective of the Group of Latin American Accounting Standard Setters (GLASS) is to present technical contributions in respect to all documents issued by the IASB. Therefore, GLASS aims to have a single voice before the IASB. GLASS is constituted by: Brazil (Chairman), Argentina (Vice Chairman), Chile (Board), Mexico (Board), Uruguay (Board), Venezuela (Board), Bolivia, Colombia, Ecuador, Panama, Paraguay and Peru.



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## GLASS's Comment letter on the IASB Agenda Consultation 2011

### Question 1

**What do you think should be the IASB's strategic priorities, and how should it balance them over the next three years?**

*In our opinion, the IASB's highest strategic priority should be to update, refine and revise the Conceptual Framework. We believe that the enhancement of the Conceptual Framework should be accelerated such that all eight phases are completed as soon as possible. This would benefit the development of other standards.*

*Simplification should be another strategic priority. In our opinion the often-expressed goal of revising and simplifying IFRS must be considered a key strategic area for the IASB and efforts to achieve that goal should be initiated.*

### Question 1(a)

**Do you agree with the two categories we identified and the five strategic areas within them? If you disagree, how do you think the IASB should develop its agenda, and why?**

*Yes, we agree with the two categories and five strategic areas.*

### Question 1(b)

**How would you balance the two categories and five strategic areas? If you have identified other areas for the IASB's agenda, please include these in your answer.**

*Our priorities are listed in the response to the question 2(a) below. We would add another strategic area to the **Maintaining existing IFRSs** category, and that area is **Simplification**.*

### Question 2

**What do you see as the most pressing financial reporting needs for standard-setting action from the IASB?**

*Please refer to the response to the question 2(a) below.*



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## Question 2(a)

Considering the various constraints, to which projects should the IASB give priority, and why? Where possible, please explain whether you think that a comprehensive project is needed or whether a narrow, targeted improvement would suffice?

*We suggest that the IASB include the following projects in its agenda for the next few years:*

The definition of priorities (“high priority” versus “very important but not urgent”) represents the views of GLASS as a group; although each country may elect its own priority concern.

Further, in order to highlight our expectations about the IASB’s effort consumption, we subclassified “high priority” between “comprehensive projects” and “narrowed/targeted projects”, as follows:

### **HIGH PRIORITY – NARROWED/TARGETED PROJECTS:**

*Equity method of accounting: the Corporate Laws of many Latin American countries require listed companies to present “individual financial statements” prepared in accordance local regulation and accounting policies where investments in subsidiaries, jointly-controlled entities and associates must be accounted for under the equity method. Income measured in conformity with such rules is the basis for the distribution of dividends. We understand that an improvement project adding the equity method as an accounting option under IAS 27.10(c)<sup>2</sup> would meet our expectation, and allow that both individual and consolidated financial statements may fully comply with the requirements of the pronouncement IAS 27 in Latin America. We believe it would involve an easy targeted improvement.*

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<sup>2</sup> In accordance with the tentative improvement to IAS 27, IAS 27.10 would read as follows (added content is presented in ***bold & italics & underlined***):

IAS 27.10 When an entity prepares separate financial statements, it shall account for investments in subsidiaries, joint ventures and associates either:

- (a) at cost,
- (b) in accordance with IFRS 9, or
- (c) using the equity method (i.e., in accordance with IAS 28).

The entity shall apply the same accounting for each category of investments. Investments accounted for at cost shall be accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* when they are classified as held for sale (or included in a disposal group that is classified as held for sale). The measurement of investments accounted for in accordance with IFRS 9 is not changed in such circumstances.



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**HIGH PRIORITY – COMPREHENSIVE PROJECTS:**

Conceptual Framework (including a presentation and disclosure framework): As highlighted in our answer to Question 1, the Conceptual Framework, in our perspective, should be the top priority for the IASB. We believe it would involve a comprehensive project.

Inflation accounting (revisions to IAS 29 Financial Reporting in Hyperinflationary Economies): Jurisdictions that have suffered from hyperinflation, although (fortunately) do not suffer at this time, may still experience annual inflation and have a widespread perception that financial statements that ignore inflation approaching 10% or more, in the long run may mislead users and undermine year-to-year comparisons. We should mention that in Latin America only one country qualifies as hyperinflationary economy – Venezuela; while several countries in Latin America have inflationary economies. Therefore, we suggest three improvements to IAS 29: first, remove the 100% hyperinflation threshold presented under characteristics of a hyperinflationary economy (i.e., remove IAS 29.3(e)); second, allow inflation accounting for entities whose functional currency is not the currency of a hyperinflationary economy, but whose primary users of the financial statements consider the loss of currency's purchase power to be relevant over a specified period; third, enhance the procedures for restatement of financial statements<sup>3</sup>. We believe this would involve a comprehensive new project.

Extractive activities: This is a very significant activity in many Latin American countries. There is a significant lack of orientation under IFRS 6. Therefore, we suggest that this issue be improved by the IASB through a comprehensive project.

Discount rate: There are many standards that require the use of a "discount rate" (e.g., IAS 2, IAS 16, IAS 37, IAS 38 and IAS 39), but the Conceptual Framework and those standards are weak on providing guidance on determining the discount rate and on how to account for the interest (difference between the future value and the present value). Additionally, we believe that the treatment of the component financial transactions, especially when they are embedded (in fact), should have a similar treatment in all IFRS. We believe that this subject would merit a comprehensive project, similar to the Fair Value (IFRS 13).

IFRIC 12 Service Concession Contracts—Impact of the recognition of concession rights and related payable: Its application challenges create a barrier to its full adoption and lead to inconsistent application. Given the relevance of the service concessions in the Latin American

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<sup>3</sup> Notice that Argentina and Mexico have sent to the IASB different proposals for improvements of inflation accounting, and both were presented before the constitution of GLASS; therefore, they were not discussed by GLASS.



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region, we suggest that the Board consider revising IFRIC 12. We believe that this subject would merit a comprehensive project.

**VERY IMPORTANT BUT NOT URGENT:**

Agriculture: This is a very significant activity in many Latin American countries. IAS 41 has caused many implementation challenges. Therefore, we suggest that this issue be improved through a post-implementation review project.

Business combination between entities under common control: Those transactions are relevant, occur frequently and sometimes are quite complex. Due to the lack of existing guidance, considering that the current IFRS 3 pronouncement excludes this type of transaction from its scope, there is diversity in practice (i.e. business combination involving entities under common control are accounted for by applying the acquisition method or using pooling of interest). Therefore, we suggest that this issue be included in the agenda to allow comparability of the financial statements among users. We suggest that this issue be improved through a post-implementation review project.

Financial instruments with characteristics of equity: Due to complexity of some financial instruments in practice, the increasing number of new types of transactions being formulated by the financial institutions and investment entities recently, and broadly application we suggest the IASB enhance its guidance on this issue. We believe this would involve a narrow and targeted new project.

**Question 2(b)**

**Which of the projects previously added to the IASB's agenda but deferred would you remove from the agenda in order to make room for new projects, and why? Which of the projects previously added to the IASB's agenda but deferred do you think should be reactivated, and why?**

*In regard to the reactivation of deferred projects, we believe that our answer to Question 2(a) also answers to this question.*

*In regard to the removal of any deferred project, we prefer not to present any specific comment. However, we would like to see the IASB working on all 9 topics presented in our answer to Question 2(a) before working on any other project previously deferred or not.*

**\*\* End of the document. \*\***