



March 26, 2013

International Accounting Standards Board

30 Cannon Street
London EC4M 6XH
United Kingdom

RE: Exposure Draft (ED/2012/5) on Clarification of Acceptable Methods of Depreciation and Amortisation - Proposed amendments to IAS 16 and IAS 38

Dear Board Members,

The “Group of Latin American Accounting Standard Setters” – GLASS¹ welcomes the opportunity to comment on the Exposure Draft on Clarification of Acceptable Methods of Depreciation and Amortisation - Proposed amendments to IAS 16 and IAS 38 (the “ED”).

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

Due-process

The discussions in regard to the ED were held within a specified Technical Working Group (TWG) created in February 2013. All country-members had the opportunity to designate at least one member to participate in this TWG, and the following countries did so: Argentina, Bolivia, Brazil, Colombia, Dominican Republic, Ecuador, Mexico and Venezuela (coordinator of this TWG).

Individually, all TWG members summarized the answers from their respective countries. Subsequently, the answers presented in each country’s summary were compared and discussed before preparing a consensus response.

Specific comments

Attached please find our specific responses to the ED.

If you have any questions about our comments, please contact glenif@glenif.org.

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



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Yours sincerely,

Juarez Domingues Carneiro

Chairman

Group of Latin American Accounting Standard Setters (GLASS)



**GLASS' Comment Letter on the IASB Exposure Draft on
Clarification of Acceptable Methods of Depreciation and Amortisation -
Proposed amendments to IAS 16 and IAS 38**

Question 1

The IASB proposes to amend IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* to prohibit a depreciation or amortisation method that uses revenue generated from an activity that includes the use of an asset. This is because it reflects a pattern of future economic benefits being generated from the asset, rather than reflecting the expected pattern of consumption of the future economic benefits embodied in the asset. Do you agree? Why or why not?

We agree with the proposal of the IASB to amend IAS 16 and IAS 38 to prohibit a method of depreciation or amortization using revenue generated from an activity that involves the use of an asset.

Depreciation is the systematic allocation of the depreciable amount of the asset over the years of its useful life. The depreciable amount is the cost of the asset, or other amount substituted for cost, less its residual value. The depreciable amount is the future economic benefit embodied in the asset that is to be recovered through its use in production, as part of the operating activities of the entity. The consumption pattern determines the form and amount of the contribution of assets to generate cash flow to the entity. The depreciation should reflect the contribution of the asset through use, related to its capacity limit or amount of total production units when an entity uses it. Depreciation based on activity should not be considered a basis of revenue generated, since the methods are usually based on units produced, hours worked, mileage or similar, and are focused on the use of the asset and, therefore, their consumption pattern. Depreciation must consider some limitations that affect the asset and are not linked to the very same capacity as indicated in letters b to d of paragraph 56 of IAS 16.

As for intangibles, we found no difference in implementation, since the contribution in production always attached to a unit of measure, in some cases underlying measures derived from units that support intangible assets such as royalties and concessions between other intangible assets.

Question 2

Do you have any other comments on the proposals?

We would like to suggest that the IASB consider including guidance stating that the restriction of the use of a depreciation/amortization method based on revenue generated



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by the asset be treated as a change in estimate, thus having prospective effects. Finally, if retained, we believe that the term “inherent” in proposed paragraphs 62A of IAS 16 and 98A of IAS 38 should be replaced by “embodied”.

Two GLENIF country-members are of the opinion that the case of intangible assets should be analyzed in more detail taking into account that income generation based on the contract could serve as a basis for defining the expected pattern of consumption of the future economic benefits of the intangible asset.

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