



Grupo Latinoamericano
de Emisores de Normas
de Información Financiera

Group of Latin-american
Accounting Standard Setters

February 14, 2013

International Accounting Standards Board

30 Cannon Street
London EC4M 6XH
United Kingdom

RE: Exposure Draft (ED/2012/2) on Annual Improvements to IFRSs – 2011 - 2013 Cycle

Dear Board Members,

The “Group of Latin American Accounting Standard Setters” – GLASS¹ welcomes the opportunity to comment on the Exposure Draft on the Annual Improvements to IFRSs – 2011 - 2013 Cycle (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 January 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, Mexico (coordinator of this TWG), Uruguay and Venezuela.

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.

Overall comments

We continue to support the Board’s annual improvements initiative. We believe this is an efficient and effective way to achieve constant enhancement of existing standards and ensure the consistency of interpretation and application of all standards.

Specific comments

Attached please find our specific responses to the ED.

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

¹ 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 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.



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Yours sincerely,

A handwritten signature in blue ink, appearing to read "Juarez", is written over a large, light blue oval shape.

Juarez Domingues Carneiro

Chairman

Group of Latin American Accounting Standard Setters (GLASS)



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GLASS' Comment Letter on the IASB Exposure Draft on Annual Improvements to IFRSs – 2011-2013 Cycle

1. IFRS 1 *First-time Adoption of International Financial Reporting Standards* – Meaning of effective IFRSs

Question 1

Do you agree with the IASB's proposal to amend the Standard as described in the Exposure Draft? If not, why and what alternative do you propose?

We agree with the proposed amendment and addition to the Basis for Conclusions included in IFRS 1. The proposed improvement to the Basis for Conclusions would eliminate the apparent contradiction between paragraph 8 of the standard and paragraph BC11 of the Basis for Conclusions. We agree with the option to early adopt an approved but not yet effective standard to allow an entity to avoid a change in accounting shortly after the initial adoption of IFRS.

2. IFRS 3 *Business Combinations* – Scope exceptions for joint ventures

Question 1

Do you agree with the IASB's proposal to amend the Standard as described in the Exposure Draft? If not, why and what alternative do you propose?

We agree with the portion of the proposal to clarify the scope exception of IFRS 3, *Business Combinations*, that relates to the replacement of the term "joint venture" with "joint arrangement" to conform to the new terminology of IFRS 11, *Joint Arrangements*.

However, we believe that the scope exception should be expanded to also include the formation of subsidiaries and associates, unless the formation of such entities is specifically made to carry out a business combination. This is because the formation of subsidiaries, associates and joint arrangements does not necessarily represent a business combination / acquisition within the terms and scope of IFRS 3.

We also agree that IFRS 3 does not apply to the financial statements of the joint arrangement itself, since, as stated in paragraph 1 of IFRS 3, the standard establishes principles and requirements for how to account for a business combination by the *acquirer*, not the acquiree. Since the acquirer is the entity that obtains control of another entity, IFRS 3 only applies to the acquisition of a subsidiary. In fact, we recommend deleting "in the financial statements of the joint arrangement itself" from the scope exception.

Question 2

Do you agree with the proposed transitional provisions and effective date for the issue as described in the Exposure Draft? If not, why and what alternative do you propose?



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We agree with the proposed transitional provisions, i.e. retrospective application, and effective date for the issue as described in the exposure draft.

3. IFRS 13 *Fair Value Measurement* – Scope of paragraph 52 (portfolio exception)

Question 1

Do you agree with the IASB’s proposal to amend the Standard as described in the Exposure Draft? If not, why and what alternative do you propose?

We agree with the proposal to clarify that the “portfolio exception” applies to all contracts within the scope of IAS 39, *Financial Instruments: Recognition and Measurement*, and IFRS 9, *Financial Instruments*, regardless of whether they meet the definition of financial assets or financial liabilities as defined in IAS 32, *Financial Instruments: Presentation*. The inclusion of “other contracts” in paragraph 52 of the standard is an appropriate modification of the scope of the “portfolio exception”.

Question 2

Do you agree with the proposed transitional provisions and effective date for the issue as described in the Exposure Draft? If not, why and what alternative do you propose?

We agree with the proposed transitional provisions, i.e. retrospective application, and effective date for the issue as described in the exposure draft.

4. IAS 40 *Investment Property* – Acquisition of investment property: interrelationship of IFRS 3 and IAS 40

Question 1

Do you agree with the IASB’s proposal to amend the Standard as described in the Exposure Draft? If not, why and what alternative do you propose?

We agree with the proposal to clarify that IAS 40 and IFRS 3 are not mutually exclusive. We agree that the classification of acquired property as investment property (within the scope of IAS 40) or owner-occupied property (within the scope of IAS 16, *Property, Plant and Equipment*) is independent of the determination whether the acquisition of investment property is a business combination or not. We also agree that judgment is required to determine whether the acquisition of investment property is the acquisition of an asset, a group of assets or a business combination in the scope of IFRS 3.

Question 2

Do you agree with the proposed transitional provisions and effective date for the issue as described in the Exposure Draft? If not, why and what alternative do you propose?

We agree with the proposed transitional provisions, i.e. prospective application, and effective date for the issue as described in the exposure draft.