Grupo Latinoamericano de Emisores de Normas de Información Financiera

Group of Latin-american Accounting Standard Setters

April 24, 2013

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

REF: ED 2012/7 Adquisition of an Interest in a Joint Operation- Proposed amendments to IFRS 11

Dear Board Members,

The "Group of Latin American Accounting Standard Setters" – GLASS[1] welcomes the opportunity to comment on the Exposure Draft ED 2012/7 Adquisition of an Interest in a Joint Operation- Proposed amendments to IFRS 11 (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). All country-members had the opportunity to appoint at least one member to form this TWG, and the following countries did so: Argentina (coordinator of this TWG), Brazil, Colombia, Ecuador, Mexico, Dominican Republic, Uruguay and Venezuela.

The working steps in developing the present response were as follows:

1. ***Conformation of the TWG.***
2. ***Agreement of all the TWG members in advance for requesting information in their own jurisdictions:*** each standards-setters' bodies represented in the TWG have undertaken different tasks in their respective countries (e.g. discussion forums, surveys; internal working groups).
3. ***Summarization of the all points of view gathered:*** All the results of the work stated in 2 were summarized, and this summary was the platform for the TWG discussion process.

The TWG discussed the different points of view included in the summary during several virtual meetings . In those virtual meetings the WTG developed a final document on the basis of the agreed upon responses and the technical point of view of its members. Finally, the WTG document was submitted to the GLASS Board for its approval.

Overall comments

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

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We support the International Accounting Standards Board (IASB) in the treatment proposed to resolve the different accounting practices that currently exist to account for the acquisition of an interest in a joint operation; however, we will make a series of recommendations for improvement that we will explain in the accompanying Annex in reply to the ED's questions.

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

Yours sincerely,

Juarez Domingues Carneiro
Chairman
Group of Latin American Accounting Standard Setters (GLASS)

Question 1: relevant principles
The IASB proposes to amend IFRS 11 and IFRS 1 so that a joint operator accounting for the acquisition of an interest in a joint operation in which the activity of the joint operation constitutes a business applies the relevant principles on business combinations accounting in IFRS 3 and other Standards, and discloses the relevant information required by those Standards for business combinations.
Do you agree with the proposed amendment? Why or why not? If not, what alternative do you propose?

We agree with the ED, as the treatment it proposes to account for the acquisition of an interest in a joint operation is fully consistent with that of a business over which control is acquired and in which, accordingly, the acquirer recognizes all the assets it is entitled to and all the liabilities assumed.

Notwithstanding the above, however, we make the following recommendation:

> This ED, just as ED 2012/6 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (proposed amendments to IFRS 10 and IAS 28)", incorporates new situations in which the definition of "business" becomes an important issue. Therefore, although the proposal constitutes a pragmatic solution in regard to the different criteria available in practice, we believe a clarification of the definition of "business" would contribute towards that objective, so that application will be consistent, i.e. a clear definition of what constitutes a "business" and what merely constitutes a group of assets. This clarification could be addressed by adding examples to IFRS 3, or by further clarifying Appendix B Application Guidance to IFRS 3. The application of that definition under IFRS 3 often calls for significant professional judgment. For this reason, although we are aware that this would require an amendment of IFRS 3, which is beyond the scope of this ED, we recommend that the IASB give priority to addressing this matter.

Question 2: scope
The IASB intends to apply the proposed amendment to IFRS 11 and the proposed consequential amendment to IFRS 1 to the acquisition of an interest in a joint operation on its formation. However, it should not apply if no existing business is contributed to the joint operation on its formation.
Do you agree with the proposed amendment? Why or why not? If not, what alternative do you propose?

We agree with the proposal that there must always be a current "business" in order for the principles of IFRS 3 to be applicable, as the underlying logic of the IFRS 3's concepts is the existence of a "business" that justifies recognizing the intangible assets and goodwill not previously recognized. Creating a joint operation without there being a previous "business" to be recognized does not justify the application of the general concepts and principles designed for this situation.

In this section, the ED is related to the exemption provided for business combination upon the first-time adoption of IFRS, paragraph C1 of IFRS 1. The improvement in the drafting of paragraph C5, IFRS 1, shall be applied when the activity of the joint operation constitutes a business and is measured by the acquisition method, consistently included in that IFRS 1, paragraph C1 exemption the transactions fitting that context.

Regardless of the above, as the ED strongly emphasizes the definition of “business”, we again recommend that this definition be clarified.

Question 3: transition requirements
The IASB intends to apply the proposed amendment to IFRS 11 and the proposed consequential amendment to IFRS 1 prospectively to acquisitions of interests in joint operations in which the activity of the joint operation constitutes a business on or after the effective date. Do you agree with the proposed transition requirement? Why or why not? If not, what alternative do you propose?

We agree with the prospective application of this standard and the reasons provided in the basis for conclusions included in BC 11 of the ED. The retrospective application would require previous information to be obtained, particularly in regard to the determination of fair values at the acquisition date, which, in addition to the difficulties involved, could give rise to costs that are not related to the benefits of a retrospective application.