Grupo Latinoamericano de Emisores de Normas de Información Financiera

Group of Latin-american Accounting Standard Setters

March 14, 2013

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

RE: Exposure Draft ED/2013/1 – Recoverable Amount Disclosures for Non-Financial Assets (proposed amendments to IAS 36)

Dear Board Members,

The Group of Latin American Accounting Standard Setters – GLASS[1] welcomes the opportunity to comment on the Exposure Draft ED/2013/1.

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

Due-process

The discussions in regard to the Exposure Draft ED/2013/1 were held within a specified Technical Working Group (nominated *TWG – Proposed Amendments to IAS 36*, hereafter TWG-IAS36), coordinated by Brazil and Ecuador, with the participation of the following country-members: Argentina, Colombia, Mexico, Uruguay and Venezuela.

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)

[1] The Group of Latin American Accounting Standard Setters (GLASS) aims to work in partnership with the IASB on technical aspects, respecting the national sovereignty of each member country, to promote the adoption of the convergence of international financial reporting standards issued by IASB; cooperate with governments, regulators and other regional organizations, national and international help to improve financial statements, and collaborate with the dissemination of standards issued by IASB. Our country-members are: Brazil (Chairman), Argentina (Vice Chairman), Colombia (Board), Mexico (Board), Uruguay (Board), Venezuela (Board), Bolivia, Chile, Dominican Republic, Ecuador, Panama, Paraguay and Peru.

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GLASS's Comment-letter on the IASB Exposure Draft ED/2013/1

Question 1

Question 1—Disclosures of recoverable amount
The IASB proposes to remove the requirement in paragraph 134(c) to disclose the recoverable amount of each cash-generating unit (group of units) for which the carrying amount of goodwill or intangible assets with indefinite useful lives allocated to that unit (group of units) is significant when compared to the entity's total carrying amount of goodwill or intangible assets with indefinite useful lives. In addition, the IASB proposes to amend paragraph 130 to require an entity to disclose the recoverable amount of an individual asset (including goodwill) or a cash-generating unit for which the entity has recognised or reversed an impairment loss during the reporting period. Do you agree with the proposed amendments? If not, why and what alternative do you propose?

Yes, we agree and support these amendments; *because proposed wording is much better than the original.*

Question 2

Question 2—Disclosures of the measurement of fair value less costs of disposal
The IASB also proposes to include in paragraph 130 the requirement to disclose the following information about the fair value less costs of disposal of an individual asset (including goodwill) or a cash-generating unit for which the entity has recognised or reversed an impairment loss during the reporting period: (a) the valuation technique(s) used to measure fair value less costs of disposal and, if there has been a change in the valuation technique, that change and the reason(s) for making it; (b) the level of the fair value hierarchy within which the fair value measurement of the asset is categorised in its entirety (without taking into account whether the 'costs of disposal' are observable); and (c) for fair value measurements that are categorised within Levels 2 and 3 of the fair value hierarchy, the key assumptions used in the measurement. Do you agree with the proposed amendments? If not, why and what alternative do you propose?

Yes, we agree and support these amendments; *because such information is definitely relevant for users of financial reports.*

However, we suggest changing the order as items are presented in paragraph 130(f). Considering that (A) the valuation technique comprises disclosures about the level of the fair value hierarchy (item 130(f)(ii)) and disclosures about key assumptions (item 130(f)(iii)), and (B) change in valuation technique may only occur suddenly, we suggest that the content of item 130(f)(i) would be presented after the content of items 130(f)(ii) and 130(f)(iii). Therefore, paragraph 130(f) would read as follows:

> *(f) if recoverable amount is fair value less costs of disposal, ~~the basis used to measure fair value less costs of disposal (such as whether fair value was measured by reference to a quoted price in an active market for an identical asset).~~ an entity shall disclose the following information:*
>
> *(i) the level of the fair value hierarchy (seeIFRS13) within which the fair value measurement of the asset is categorised in its entirety (without taking into account whether the 'costs of disposal' are observable);*
>
> *(ii) for fair value measurements categorised within Levels 2 and 3 of the fair value hierarchy, each key assumption on which management has based its determination of fair value less costs of disposal. Key assumptions are those to which the asset's (cash-generating unit's) recoverable amount is most sensitive and include the discount rate(s) used in the measurement if fair value less costs of disposal is measured using a present value technique. An entity shall also disclose the discount rate used in the previous measurement (if any); and*
>
> *(iii) a description of the valuation technique(s) used to measure fair value less costs of disposal. If there has been a change in valuation technique, an entity shall disclose that change and the reason(s) for making it.*

Notice that item 130(g) might be kept.

Question 3

Question 3—Transition provisions
The IASB proposes that the amendments should be applied retrospectively for annual periods beginning on or after 1 January 2014. The IASB also proposes to permit earlier application, but will not require an entity to apply those amendments in periods (including comparative periods) in which the entity does not also apply IFRS 13. Do you agree with the proposed transition method and effective date? If not, why and what alternative do you propose?

<u>No, we do not agree with retrospective application.</u>

Considering that the proposed amendments presented in ED/2013/1 are only related to disclosure – it does not affect recognition or measurement of impairment losses; we believe that such amendment should be applied prospectively without any prejudice to the users of financial reports. Notice that the cost of applying those amendments retrospectively could be higher than the benefits to users.

However, if the IASB's final decision is for retrospective application, we would suggest to allow prospective application if retrospective application is impracticable.

<u>Yes, we agree with the effective date (1 January 2014).</u>

Question 4

Question 4—Other comments
Do you have any other comments on the proposals?

The IASB suggests deleting "material" from paragraph 130.

We consider that it is advisable to maintain this remark, in order to emphasise the importance of disclose only significant matters.

In case that the final decision is to remove "material", we would recommend this in the Basis for Conclusions on IAS 36 Impairment of Assets *(almost the same content presented at the end of item BC3 of the Basis for on the Exposure Draft* Recoverable Amount Disclosures for Non-Financial Assets).

** End of the document. **