GLENIF GLASS

Grupo Latinoamericano de Emisores de Normas de Información Financiera

Group of Latin-american Accounting Standard Setters

February 3, 2014

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

RE: Exposure Draft (ED/2013/10) on Equity Method in Separate Financial Statements

Dear Board Members,

The "Group of Latin American Accounting Standard Setters" – GLASS[1] welcomes the opportunity to comment on the Exposure Draft on Equity Method in Separate Financial Statements - Proposed amendments to IAS 27 ("ED/2013/10").

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 26) created in December 2013. All country-members had the opportunity to designate at least one member to participate in this TWG, and the following countries did so: Colombia (coordinator of this TWG), Argentina, Costa Rica, Mexico, 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 wholeheartedly support the Board's initiative in relation to the issue, widely applicable in the economic activities of our region, and therefore of substantive importance for the preparation and evaluation of financial information related to Equity Method in Separate Financial Statements.

Further propose approaches raised by one of the participating countries regarding exemptions in cases of entities that first-time adopters of IFRS and analysis that the method proposed in the paper in consultation should be the only one option for the preparation of financial statements separated.

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

Yours sincerely,

Jorge José Gil
Chairman
Group of Latin American Accounting Standard Setters (GLASS)

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

GLASS' Comment Letter on Equity Method in Separate Financial Statements Proposed amendments to IAS 27

As instructed in the ED, we have answered the 5 questions included in the draft. Please see our responses and related comments below.

Question 1— Use of the equity method
The IASB proposes to permit the equity method as one of the options to account for an entity's investments in subsidiaries, joint ventures and associates in the entity's separate financial statements. Do you agree with the inclusion of the equity method as one of the options? If not, why?

We agree with the proposed amendment to IAS 27 - Separate Financial Statements, in the sense of allowing to restore the option to use the equity method to account for investments in subsidiaries, joint ventures and associates in the entity's separate financial statements.

Reasons:

- *The implementation of the amendment would reduce differences between the consolidated statement of income and the* entity's separate financial statements.
- *The implementation of the amendment reduces the differences between the legal regulations and the IFRS.*
- *It allows that separate financial statements show the initial cost of the investment and the changes in equity subsequent to the date of purchase or acquisition*
- *The use of the equity method in the separate financial statements would permit recognize the results of the entities in which it invests in the period in which the result is incurred and not when dividends are declared.*

Question 2— Transition provisions
The IASB proposes that an entity electing to change to the equity method would be required to apply that change retrospectively, and therefore would be required to apply IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. Do you agree with the proposed transition provisions? If not, why and what alternative do you propose?

We agree that the retroactive adjustment is needed. The incorporation of the equity method is an option, so you decide to apply for, you should consider the new policy retroactively, this in order not to affect the comparability and usefulness of financial statements.

Reasons:

- *The application should be retroactively so that the users of the separate financial statements most to compare the information of the entity.*
- *In some cases retroactive application has no impact because according to local regulations has been applying the equity method as a criterion for measuring the separate financial statements.*

Question 3— First-time adopters

The IASB does not propose to provide any special relief for first-time adopters. A first- time adopter electing to use the equity method would be required to apply the method from the date of transition to IFRSs in accordance with the general requirements of IFRS 1 *First-time Adoption of International Financial Reporting Standards*.

Do you agree that a special relief is not required for a first-time adopter? If not, why and what alternative do you propose?

Most participants shared the view that no exist a special exemption for entities adopting IFRS for the first time.

A country believes that should be included a similar exemption to the established when an entity applies the cost like criteria of recognition in the separate financial statements In addition, it would facilitate the application for the first time and avoid incurring costs that exceed the benefits.

Reasons:

- *Most countries are required to use the equity method in the separate financial statements.*
- *Require the retroactive adjustment, respects the accounting model if it has been applied according with the IFRS.*

Question 4— Consequential amendment to IAS 28 *Investments in Associates and Joint Ventures*

The IASB proposes to amend paragraph 25 of IAS 28 in order to avoid a conflict with the principles of IFRS 10 *Consolidated Financial Statements* in situations in which an entity loses control of a subsidiary but retains an ownership interest in the former subsidiary that gives the entity significant influence or joint control, and the entity elects to use the equity method to account for the investments in its separate financial statements.

Do you agree with the proposed consequential amendment? If not, why?

We agree with the proposal to change the paragraph 25 of IAS 28

Reasons:

- *The amendment would avoid a possible conflict between statements.*
- *Because the amendment allows harmony and consistency between the rules.*

Question 5— Other comments
Do you have any other comments on the proposals?

The general view is that our response is that the GLENIF is largely according to the points made by the IASB in this document.

We underline our support for the advance implementation expressed in paragraph 18J of (Draft) "Amendments to IAS 27 Separate Financial Statements."

It is worth noting that one of the participating countries believe that alternatives should be reduced in the rules and therefore does not support the existence of three possible methods for valuing investments in subsidiaries, associates and joint ventures. In this line using the equity method (MP) should be the only method prescribed in IFRS because it is consistent with the consolidated financial statements.

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