Grupo Latinoamericano de Emisores de Normas de Información Financiera

Group of Latin-american Accounting Standard Setters

March 13, 2014

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

RE: Exposure Draft ED/2013/11 on Annual Improvements to IFRSs – 2012 - 2014 Cycle

Dear Board Members:

The "Group of Latin American Accounting Standard Setters" – GLASS[1] welcomes the opportunity to comment on the Exposure Draft on the Annual Improvements to IFRSs – 2012 - 2014 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 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: Argentina, Brazil, Colombia, Costa Rica, Mexico, Uruguay and Venezuela (coordinator of this TWG).

Individually, all TWG members organized and decided the most effective way to obtain the answers and comments to the document under consideration, and subsequently, all TWG members summarized the answers from their respective countries which were presented and compared with the views of other members of the TWG countries. The answers were discussed, and when some of the opinions and/or findings presented answers with comments or opposition to the proposed improvement in the document under consideration, explanatory or alternative arguments were requested for the purpose of including them as part of our findings in order to prepare a consensus response.

Overall comments

Most participating countries agree with ED proposed improvements to IFRS 5 and IFRS 7; with respect to the proposed improvements to IAS 19 and IAS 34, most countries commented on the improvements proposed by the IASB. These observations have been included in the consensus response for the consideration of the Board.

In the attachment to this letter you will find our answers to the specific questions raised in the ED for the proposed improvements to each of the involved standards.

[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: Argentina (Chairman), Bolivia, Brazil (Board), Chile, Colombia (Board), Ecuador, El Salvador, Guatemala (Board), Mexico (Vice Chairman), Panama, Paraguay, Peru, Dominican Republic, Uruguay (Board) and Venezuela (Board). Observers: Costa Rica and Honduras.

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A brief summary of our observations and comments are set out below:

- In relation to the improvement to IAS 19, a question arose about the applicability of this improvement in those countries where the official or legal local currency is that of another country, without being members of a regional market or part of one with a common currency, as is the case for some GLASS country-members whose official local currency is the U.S. dollar.
- We do not support the proposed improvement to IAS 34 regarding the acceptability of including required disclosures in documents outside the interim financial statements issued by the entity. We have included a comment regarding this situation for the consideration of the Board.

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)

Attachment

GLASS' Comment Letter on the IASB Exposure Draft on Annual Improvements to IFRSs – 2012-2014 Cycle

Proposed amendment to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations.*

Changes in methods of disposal

The IASB proposes to amend IFRS 5 by stating that in circumstances in which an entity:

(a) reclassifies an asset (or disposal group) directly from being held for distribution to being held for sale; or

(b) reclassifies an asset (or disposal group) directly from being held for sale to being held for distribution;

an entity shall not follow the guidance in paragraphs 27–29 to account for this change. The IASB also proposes to amend IFRS 5 by stating that in circumstances in which an entity determines that the asset (or disposal group) is no longer available for immediate distribution or that the distribution is no longer highly probable, it should cease held-for-distribution accounting and apply the guidance in paragraphs 27–29 of IFRS 5.

Question 1—Proposed amendment

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 by the Board as two omissions contained in IFRS 5 are corrected.

The following wording corrections are suggested for paragraphs 26B and 28 in the proposed improvements to the standard:

1. Paragraph 26B of the improvement to IFRS 5 should emphasize that the change from "held for sale" to "held for distribution", or vice versa, does not revise the determination of the period of one year that is established in paragraphs 8 and 12A of IFRS 5, i.e., the period of one year does not restart but should continue from the initial decision to dispose of the asset or group of assets, regardless of the change in method of disposal. In this way the expected date of sale/distribution within a year is maintained when there is a change in the method of disposal.

2. Additionally, in the same paragraph 26B, we suggest addressing the treatment of the difference that may exist between fair value less costs to sell and fair value less costs of distribution when there is a change in the method of disposal.

3. In paragraph 28 of the ED reference to paragraph 12A of IFRS 5 should be added when adjustment in the income statement of the period is required because the criteria for classification as "held for distribution" are no longer met. Proposed paragraph 28 only includes reference to paragraphs 7 to 9 of IFRS 5 where the criteria for "held for sale" treatment are established.

Question 2—Transition provisions and effective date

Do you agree with the proposed transition 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 effective date of the improvement and its prospective application because this deals with a change in estimate that should be treated in accordance with IAS 8, either because of a change in the method of disposal or discontinuation of a plan to dispose of an asset or group of assets.

However, one country finds no technical justification for not requiring retrospective application of this improvement.

Proposed amendment to IFRS 7 *Financial Instruments: Disclosure.*

Servicing contracts

The IASB proposes to add guidance that clarifies how an entity should apply the guidance in paragraph 42C of IFRS 7 to a servicing contract to decide whether a servicing contract is 'continuing involvement' for the purposes of applying the disclosure requirements in paragraphs 42E–42H of IFRS 7.

Question 1—Proposed amendment

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 improvement to IFRS 7 regarding the guidelines to determine whether a service contract is continuing involvement or not. The inclusion of this improvement confirms what is already applied in practice and provides guidelines to assess whether the cash flows arising from the service contract of a financial asset transferred by a company can be directly linked to the maintenance of rights to income or obligations related to the financial asset.

Question 2—Transition provisions and effective date

Do you agree with the proposed transition 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 retrospective application and do not envision excessive costs for the preparation of financial information that applies to annual periods beginning on or after January 1, 2016.

Proposed amendment to IFRS 7 *Financial Instruments: Disclosure.*

Applicability of the amendments to IFRS 7 to condensed interim financial statements

The IASB proposes to clarify that the additional disclosure required by the amendments to IFRS 7 Disclosure–Offsetting Financial Assets and Financial Liabilities is not specifically required for all interim periods. However, the additional disclosure is required to be given in condensed interim financial statements that are prepared in accordance with IAS 34 *Interim Financial Reporting* when its inclusion would be required by the requirements of IAS 34.

Question 1—Proposed amendment

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 that would lead to inclusion of the disclosures required by IAS 34, without complicating the issuance of financial statements for interim periods.

Question 2—Transition provisions and effective date

Do you agree with the proposed transition 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 effective date of the standard and its retrospective application.

Proposed amendment to IAS 19 *Employee Benefits.*

Discount rate: regional market issue

The IASB proposes to clarify that the high quality corporate bonds used to estimate the discount rate for post-employment benefit obligations should be denominated in the same currency and with the same estimated term as the liability. Consequently, the IASB proposes to clarify that the depth of the market for high quality corporate bonds should be assessed at the currency level.

Question 1—Proposed amendment

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?

Yes, we agree with the proposed improvement to the extent that the depth of the market for high quality corporate bonds is assessed in the context of emissions in a regional market. However, it is appropriate to mention another issue that we have concluded is not addressed in the scope of the proposed improvement to IAS 19, for which we request its inclusion:

Some countries that are not members of a regional market or part of one with a common currency have an official or legal local currency that is the currency of another country and post-employment benefit obligations denominated in that currency. Such cases occur in our region in some countries, where the official local currency is the U.S. dollar.

In these cases we believe that the jurisdiction-based model should be applied, because if the entities located in these jurisdictions were required to take as a reference the discount rate applicable to corporate bonds issued in the United States of America, they would be linking risks and returns of an economic reality that does not correspond to the economic environment of post-employment benefit obligations applicable in these countries.

Additionally, we suggest the following correction in the first sentence of paragraph 83 to add the phrase "denominated in the same currency and with the same estimated term", as follows:

*"The rate used to discount post-employment benefit obligations (both funded and unfunded) shall be determined by reference to market yields at the end of the reporting period on high quality corporate bonds **denominated** **in the same currency and with the same estimated term**. In currencies … "*

Question 2—Transition provisions and effective date

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

Subject to the observations and suggestions mentioned above, we agree with the retrospective application of the improvement for annual periods beginning on or after January 1, 2016, which will allow comparability and better transparency information contained in the financial statements.

Proposed amendment to IAS 34 *Interim Financial Reporting*

Disclosure of information 'elsewhere in the interim financial report'

The IASB proposes to amend IAS 34 to clarify the meaning of disclosure of information 'elsewhere in the interim financial report' and to require the inclusion of a cross-reference from the interim financial statements to the location of this information.

Question 1—Proposed amendment

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 disagree with the proposal due to the concern regarding the responsibility of the preparers of the information 'elsewhere in the interim financial report' and cross-references. Our preference is that everything required by IAS 34 be contained in the body of the interim financial statements and not elsewhere, thereby facilitating analysis of users and their conclusions, whose focus is on a complete set of financial statements.

The common suggestion is that the contents of paragraph 16A of IAS 34 be clarified such that the information required to be disclosed by this paragraph be an integral part of the notes to the financial statements. In summary the following is proposed:

(a) The last sentence of the proposal states "... If users do not have access to the information incorporated by cross-reference, the interim financial statements are incomplete. ... ".

This sentence should be expanded to indicate that the financial statements will be incomplete:

(i) if the appropriate cross-references are not included or

(ii) if users do not have access to the information incorporated by cross-reference.

(b) Paragraph 16A indicates: "… The disclosures … incorporated by cross-reference … to the other part of the interim financial report that is available to users of the interim financial statements on the same terms as the interim financial statements and at the same time. …".

As written this expression is interpreted to suggest that there may be multiple documents, which is inconsistent with the provisions of paragraph 4 of IAS 34, which indicates that interim financial information should be in a single document (either a complete set of financial statements, or a set of condensed financial statements).

The IASB should clarify that the information is to be integrated into a single document, if this is its intention.

Question 2—Transition provisions and effective date

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

Subject to the above comments, we agree with the effective date and retrospective application of the improvement as we believe that it is not burdensome for entities.

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