Grupo Latinoamericano de Emisores de Normas de Información Financiera

Group of Latin-american Accounting Standard Setters

January 5, 2012

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

RE: Exposure Draft amendment to the accounting for government loans in IFRS 1

Dear Board Members,

The "Group of Latin American Accounting Standard Setters" – GLASS[1] welcomes the opportunity to comment on the Exposure Draft Amendment to the accounting for government loans in IFRS 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 Amendment to the accounting for government loans in IFRS **1** were held within a specified Technical Working Group (TWG), created on October 26, 2011. All country-members had the opportunity to designate at least one member to constitute this TWG, and the following countries did so: Venezuela (coordinator of this TWG), Brazil, Argentina and Mexico.

Individually, three TWG members (Argentina, Mexico and Venezuela) summarised the answers from their respective countries. At a second stage, the answers presented in every country's summaries were compared and discussed.

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 general objective 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 voice before the IASB. GLASS is constituted by: Brazil (Chairman), Argentina (Vice Chairman), Chile (Board), Mexico (Board), Uruguay (Board), Venezuela (Board), Bolivia, Colombia, Ecuador, Panama, Paraguay and Peru.

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GLASS's Comment letter on the IASB Exposure Draft amendment to the accounting for government loans in IFRS 1

Question 1

"The Council proposes to alter the IFRS 1 so that first-time adopters have to apply paragraph 10A of IAS 20 prospectively to loans entered into on or after the date of transition to IFRSs, unless the information necessary to implement these demands on a government loan as a result of past transaction has been obtained, on the occasion of the initial accounting for that loan".

The proposal is fully consistent with the other exceptions contained in IFRS 1 First-time Adoption of International Financial Reporting Standards. We support the IASB's efforts to achieve consistency with the general exceptions to the requirement in IFRS 1 to apply IFRS retrospectively to allow, or in some cases, require its prospective application.

For the reasons stated in the Basis for Conclusions of ED and paragraph BC5 of IAS 20, we agree with the proposal to amend IFRS 1 to extend the prohibitions to the retrospective application in Appendix B of IFRS 1, paragraph 10A of IAS 20, ie, require its prospective application, unless the information needed to apply paragraph 10A to a government loan obtained prior to the date of transition to IFRS was obtained at the time of initial registration of the loan , in which case the entity may elect to apply paragraph 10A of IAS 20 retrospectively. All this because of that paragraph 19 of IFRS 1 states that fair value valuations required by individual IFRS "reflect conditions that existed on the date to which they were determined".

Question 2

"Do you have any other comments on the proposals?"

Despite the need to match to make consistent the provisions of IAS 20 transition with the exception of IFRS 1, the prospective application may decrease the relevance of the information submitted by an entity because an entity may have an accounting treatment two situations differently to essentially the same (for example, a government loan granted before the date of application of IAS 20 or IFRS adoption and another loan after that date).

In order that an entity can be reduced to eliminate this inconsistency, we suggest that this requirement is treated as an optional exemption rather than a mandatory exception. Accordingly, an entity could recalculate on the date of adoption of IFRS, the fair value of credit to the date of grant.

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