



Grupo Latinoamericano
de Emisores de Normas
de Información Financiera
Group of Latin American
Accounting Standard Setters

November 25, 2015

International Accounting Standards Board

30 Cannon Street
London EC4M 6XH

United Kingdom

RE: Exposure Draft ED/2015/4 – Updating References to the Conceptual Framework

Dear Board Members:

The “Group of Latin American Accounting Standard Setters”¹ – GLASS welcomes the opportunity to comment on the Exposure Draft ED/2015/4 – Updating References to the Conceptual Framework – Proposed amendments to IFRS 2, IFRS 3, IFRS 4, IFRS 6, IAS 1, IAS 8, IAS 34, SIC-27 and SIC-32 (the “ED”).

Due process

The discussions regarding the ED were held within a specified Technical Working Group (TWG) created in June 2015. All country-members had the opportunity to appoint at least one member to participate in this TWG. Each standard setter represented in the TWG has undertaken different tasks in their respective countries (e.g. surveys, internal working groups). All results 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 conference calls. In those calls the TWG developed a final document on the basis of the agreed-upon responses and the technical points of view of its members. Finally, the TWG document was submitted to and approved by the GLASS Board.

Overall Comments

We concur with the Board’s effort to update all references to the Conceptual Framework in existing standards. We believe this is necessary to minimize inconsistent interpretations and applications of standards. The amendments promote uniformity and consistency between individual standards.

We also concur with the 18-month transition period, which should be sufficient to permit preparers of financial information time to analyze each of the proposed amendments and determine the impact of the changes for retrospective application.

However, as explained in more detail in our response to Question 3 in the attachment, we strongly disagree with the Board’s conclusion not to update definitions quoted from the Conceptual Framework in some existing Standards without cross-referencing to the Conceptual Framework. In our opinion, similar but not identical definitions of an asset, liability, income and expense should not be allowed to coexist.

Specific comments

Attached please find our specific responses to the questions presented in the ED.

Contact

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



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

Sincerely yours,

A handwritten signature in black ink, appearing to read "Felipe Pérez Cervantes".

Felipe Pérez Cervantes
Chairman
Group of Latin American Accounting Standard Setters (GLASS)



**GLASS' Comment Letter on the IASB Exposure Draft on
Updating References to the Conceptual Framework**

Question 1—Replacing references to the *Conceptual Framework*

The IASB proposes to amend IFRS 2, IFRS 3, IFRS 4, IFRS 6, IAS 1, IAS 8, IAS 34, SIC-27 and SIC-32 so that they will refer to the revised Conceptual Framework once it becomes effective.

Do you agree with the proposed amendments? Why or why not?

Our constituents agree with the proposed amendments to the individual standards listed above. The amendments promote uniformity and consistency between individual standards and the procedures associated with the preparation and presentation of financial statements to provide the most useful information to users for decision making purposes by eliminating contradictions or gaps that may exist.

We trust the IASB has thoroughly researched all existing standards to ensure that all references to the Conceptual Framework have been replaced, as we did not perform such research.

Question 2—Effective date and transition

The IASB proposes that:

- (a) a transition period of approximately 18 months should be set for the proposed amendments. Early application should be permitted.
- (b) the amendments should be applied retrospectively in accordance with IAS 8, except for the amendments to IFRS 3. Entities should apply the amendments to IFRS 3 prospectively, thereby avoiding the need to restate previous business combinations.

Do you agree with the proposed transition provisions and effective date? Why or why not?

Our constituents believe the transition period of 18 months is reasonable. Such transition period should permit preparers of financial information time to analyze each of the proposed amendments and determine the impact of the changes, particularly taking into account the requirement to reformulate previously issued information for retrospective application.

Additionally, we agree with prospective application of the amendments to IFRS 3, as retrospective application to prior business combinations could prove to be quite impractical and very challenging, with the related costs outweighing the benefits.

Question 3—Other comments

Do you have any other comments on the proposals?

As mentioned in paragraph BC5 of the ED, some existing Standards directly quote definitions in the existing Conceptual Framework without cross-referring to that document, including IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, and IAS 38, *Intangible Assets*. Paragraph BC6 of the ED states that the IASB is not proposing to update these



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quotes at this time as it considers that the changes would not cause any practical problems in applying the Standards. It is argued that the IASB's aim in revising the definitions in the Conceptual Framework was to provide more clarity, not to fundamentally change how the definitions are applied in any existing Standard, and accordingly the IASB has concluded that there would be little benefit in updating these quotes now, and updating them could run the risk of unintended consequences. We strongly disagree with that conclusion.

In our opinion, it is fundamental that similar but not identical definitions of an asset, liability, income and expense not be allowed to coexist. If a standard directly quotes definitions from the Conceptual Framework, those definitions should be identical and consistent with the revised Conceptual Framework.

The constituents of GLASS believe that the arguments included in BC6 are not reasonable. If the definitions included in individual standards are not identical to those in the Conceptual Framework, this could easily lead to an interpretation of a standard that is inconsistent with the conclusion that would be reached based on the Conceptual Framework, which we find unacceptable.

As mentioned in our comment letter on the proposed revisions to the Conceptual Framework, some of our constituents feel very strongly that there should be no inconsistencies between existing standards and the Conceptual Framework. Allowing inconsistent definitions to coexist could only exacerbate the problem.