Grupo Latinoamericano de Emisores de Normas de Información Financiera

Group of Latin-american Accounting Standard Setters

October 20, 2016

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

**RE: Exposure Draft ED/2016/1 – Definition of a Business and Accounting for Previously Held Interests (Proposed amendments to IFRS 3 and IFRS 11)**

Dear Board Members:

The "Group of Latin American Accounting Standard Setters"[1] – GLASS welcomes the opportunity to comment on **Exposure Draft ED/2016/1 – Definition of a Business and Accounting for Previously Held Interests (Proposed amendments to IFRS 3 and IFRS 11)** (the "ED")**.**

**Due Process**

The discussions regarding the ED were held within a specified Technical Working Group (TWG) created in July 2016. All country-members had the opportunity to appoint at least one member to participate in this TWG. Each standard setter represented in the TWG undertook 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 Comment**

Almost all countries in Latin America have recently adopted or are in the process of full adoption of IFRS. As a result, for the preparation of our regional response, we prioritized the comments and opinions received from preparers, users and other parties directly involved with or affected by the ED. In general GLASS supports the IASB's proposed amendments, and selected detailed observations are included in the Exhibit in our response to each question.

**Specific Comments**

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

**Contact**

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

[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 (Board), Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico (Chairman), Panama, Paraguay, Peru (Board), Uruguay (Board) y Venezuela (Board).

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de Emisores de Normas
de Información Financiera

Group of Latin-american
Accounting Standard Setters

Sincerely yours,

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

**Exhibit**

**Group of Latin American Accounting Standard Setters (GLASS)**
**GLASS Comment Letter on the Exposure Draft ED/2016/1 – Definition of a Business and Accounting for Previously Held Interests (Proposed amendments to IFRS 3 and IFRS 11)**

| **Question 1** |
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| The Board is proposing to amend IFRS 3 to clarify the guidance on the definition of a business (see paragraphs B7–B12C and BC5–BC31). Do you agree with these proposed amendments to IFRS 3?<br><br>In particular, do you agree with the Board's conclusion that if substantially all the fair value of the gross assets acquired (ie the identifiable assets and non-identifiable assets) is concentrated in a single identifiable asset or group of similar identifiable assets, then the set of activities and assets is not a business (see paragraphs B11A–B11C)?<br><br>Why or why not? If not, what alternative would you propose, if any, and why? |

Yes, we agree with the need to establish a definition of a "Business" as has been done by the IASB. As a result, as of the effective date of the amendment an entity will be able to clearly determine when a transaction, combination of activities or asset purchase can be recognized as a business combination.

| **Question 2** |
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| The Board and the FASB reached substantially converged tentative conclusions on how to clarify and amend the definition of a business. However, the wording of the Board's proposals is not fully aligned with the FASB's proposals.<br><br>Do you have any comments regarding the differences in the proposals, including any differences in practice that could emerge as a result of the different wording? |

We anticipate convergence of the criteria of the IASB and FASB, which is resistant to the diversity of interpretations upon analysis by each country. In this regard, we do not believe there are substantive differences that could give rise to an erroneous interpretation.

| **Question 3** |
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| To address diversity of practice regarding acquisitions of interests in businesses that are joint operations, the Board is proposing to add paragraph 42A to IFRS 3 and amend paragraph B33C of IFRS 11 to clarify that:<br><br>(a) on obtaining control, an entity should remeasure previously held interests in the assets and liabilities of the joint operation in the manner described in paragraph 42 of IFRS 3; and<br><br>(b) on obtaining joint control, an entity should not remeasure previously held interests in the assets and liabilities of the joint operation.<br><br>Do you agree with these proposed amendments to IFRS 3 and IFRS 11? If not, what alternative would you |

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| propose, if any, and why? |

We agree with the amendment proposed by the IASB, regarding the remeasurement of previously held interests upon obtaining control; similarly, we agree with not remeasuring previously held interests in assets and liabilities of a joint operation upon obtaining joint control.

| **Question 4** |
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| The Board is proposing the amendments to IFRS 3 and IFRS 11 to clarify the guidance on the definition of a business and the accounting for previously held interests be applied prospectively with early application permitted.<br><br>Do you agree with these proposed transition requirements? Why or why not? |

We agree with the proposed transition requirements since the amendments do not generate an accounting change.

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