GLENIF
GLASS

Grupo Latinoamericano
de Emisores de Normas
de Información Financiera

Group of Latin-american
Accounting Standard Setters

September 4, 2012

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

RE: Exposure Draft (ED/2012/1) on Annual Improvements to IFRSs – 2010 - 2012 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 – 2010 - 2012 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 May 2012. All country-members had the opportunity to designate at least one member to participate in this TWG, and the following countries did so: Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Mexico (coordinator of this TWG), 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 annual improvements initiative. We believe this is an efficient and effective way to achieve constant enhancement of existing standards and ensure the consistency of interpretation and application of all standards.

Specific comments

Attached please find our specific responses to the ED.

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

[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: Brazil (Chairman), Argentina (Vice Chairman), Colombia (Board), Mexico (Board), Uruguay (Board), Venezuela (Board), Bolivia, Chile, Ecuador, Panama, Paraguay, Peru and Dominican Republic.

Yours sincerely,

Juarez Domingues Carneiro
Chairman
Group of Latin American Accounting Standard Setters (GLASS)

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GLASS' Comment Letter on the IASB Exposure Draft on Annual Improvements to IFRSs – 2010-2012 Cycle

As instructed in the ED, we have answered the same two general questions for each of the 11 proposed amendments to IFRSs. Please see our responses and related comments below.

1. IFRS 2 *Share-based Payment* – Definition of "vesting condition"

Question 1

Do you agree with the Board's proposal to amend the IFRS as described in the exposure draft? If not, why and what alternative do you propose?

We agree with the Board's proposal to amend IFRS 2. We believe the additional and revised defined terms in Appendix A will facilitate the correct and consistent application of IFRS 2.

Question 2

Do you agree with the proposed transitional 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 transitional provisions and effective date for the issue as described in the exposure draft.

2. IFRS 3 *Business Combinations* – Accounting for contingent consideration in a business combination

This improvement consists of amendments to IFRS 3 and consequential amendments to IFRS 9. We are addressing both sets of amendments together in our two responses that follow.

Question 1

Do you agree with the Board's proposal to amend the IFRS as described in the exposure draft? If not, why and what alternative do you propose?

We agree with the Board's proposal to amend both IFRS 3 and IFRS 9. The proposed amendments expand the series of exceptions to individual standards that apply in the case of business combinations.

Question 2

Do you agree with the proposed transitional 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 transitional provisions and effective date for the issue as described in the exposure draft.

3. IFRS 8 *Operating Segments* – Aggregation of operating segments

Question 1

Do you agree with the Board's proposal to amend the IFRS as described in the exposure draft? If not, why and what alternative do you propose?

We agree with the Board's proposal to amend IFRS 8. We believe that the additional disclosure of the factors that are used to identify the entity's reportable segments when operating segments have been aggregated will prove beneficial. We also recognize that such disclosure should only have to be developed upon the initial aggregation of operating segments and should not have to be revised annually.

Question 2

Do you agree with the proposed transitional 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 transitional provisions and effective date for the issue as described in the exposure draft.

4. IFRS 8 *Operating Segments* – Reconciliation of the total of the reportable segments' assets to the entity's assets

Question 1

Do you agree with the Board's proposal to amend the IFRS as described in the exposure draft? If not, why and what alternative do you propose?

We agree with the Board's proposal to amend IFRS 8 to enhance the consistency of all segment disclosures and retain the primary focus of reporting only that which is routinely provided to the Chief Operating Decision Maker (CODM).

Question 2

Do you agree with the proposed transitional 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 transitional provisions and effective date for the issue as described in the exposure draft.

5. IFRS 13 *Fair Value Measurement* – Short-term receivables and payables

Question 1

Do you agree with the Board's proposal to amend the IFRS as described in the exposure draft? If not, why and what alternative do you propose?

We agree with the Board's proposal to add a paragraph to the Basis for Conclusions related to IFRS 13, which does not actually represent an amendment of IFRS 13.

Question 2

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

As the addition to the Basis for Conclusions is not part of IFRS 13, there are no transitional provisions required for this improvement.

6. IAS 1 *Presentation of Financial Statements* – Current/non-current classification of liabilities

Question 1

Do you agree with the Board's proposal to amend the IFRS as described in the exposure draft? If not, why and what alternative do you propose?

We generally agree with the Board's proposal to amend IAS 1. However, we would like the Board to clarify the following:

- How to apply the proposed amendment to debt instruments that are publicly traded. When the debt of the entity is publicly traded, the entity cannot know or control whether the debt holders (the lenders) are the same before and after the refinancing. Accordingly, this could suggest that the condition of refinancing with the same lender may not be met. We would appreciate clarification as to whether that was the intention of the amendment.

- What level of probability must exist regarding the entity's expectation to refinance or roll over the obligation.

- That an "arrangement for refinancing" that establishes the entity has the discretion to refinance or roll over the obligation must be contractual.

- That when the terms for access to refinancing are related to the obligation and not specifically to the lender, long-term classification is also allowed.

In addition, we believe that if a waiver to a debt covenant violation is obtained after year-end, but before the financial statements are approved for issuance, the obligation should be classified as non-current liability at year-end in order to provide meaningful information to the users of the financial statements. In many cases, entities do not realize that they are in default until after preparation of the financial statements, thus after year-end, and immediately request a waiver to the counterparty, obtaining such waiver before the release date of the statements. We believe that classifying the debt as a current liability and disclosing the waiver in a subsequent event note may not be fully meaningful for the user of the information in this specific scenario. We kindly request that the Board reassess this issue addressed in paragraph 74 of IAS 1 as part of the Annual Improvements process.

Question 2

Do you agree with the proposed transitional 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 transitional provisions and effective date for the issue as described in the exposure draft.

7. IAS 7 *Statement of Cash Flows* – Interest paid that is capitalized

Question 1

Do you agree with the Board's proposal to amend the IFRS as described in the exposure draft? If not, why and what alternative do you propose?

We agree with the Board's proposal to amend IAS 7 and believe that this proposed amendment will improve the comparability of statements of cash flows among entities with respect to the presentation of capitalized interest.

On the other hand, we note that paragraph 33 of IAS 7 states that with respect to interest paid and interest and dividends received, "there is no consensus on the classification of these cash flows" for entities that are not financial institutions. We recommend that the Board consider amending IAS 7 to require that the classification of interest and dividends received be conditioned on and consistent with the entity's business model and follow the classification of the underlying asset with which such items are associated. This change would be totally consistent with the proposed amendment related to capitalized interest.

Finally, we believe that paragraph 34 of IAS 7 should be revised such that both interest paid by non-financial institutions and dividends paid should also be conditioned on and consistent with the entity's business model, which would generally require classification as financing activities.

Question 2

Do you agree with the proposed transitional 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 transitional provisions and effective date for the issue as described in the exposure draft.

8. IAS 12 *Income Taxes* – Recognition of deferred tax assets for unrealized losses

Question 1

Do you agree with the Board's proposal to amend the IFRS as described in the exposure draft? If not, why and what alternative do you propose?

We agree with two of the three proposed amendments of IAS 12. We agree that (1) when an entity assesses whether taxable profits will be available against which it can utilize a deductible temporary difference, the entity must consider whether tax law restricts the sources of taxable profit against which the entity may make deductions on the reversal of that deductible temporary difference and assess deductible temporary differences in combination only with other deductible temporary differences of the appropriate type, and (2) the taxable profit against which an entity assesses a deferred tax asset for recognition is the amount before any reversal of deductible temporary differences.

On the other hand, the third amendment proposes that to qualify as a tax planning opportunity, the action needs to create or increase taxable profit. The majority of our TWG believes that the arguments presented in paragraph BC8 of this proposed amendment are convincing arguments and merit further consideration. In other words, we believe that, for example, the ability to hold available-for-sale debt instruments until unrealized losses reverse meets the definition of a tax planning opportunity as described in paragraph 30 of IAS 12 as it represents an action that results in the reversal of existing deductible temporary differences through the creation of future taxable profit as the fair value of the debt instruments approach the nominal value of such instruments. Accordingly, we do not agree with proposed new paragraph 30A of IAS 12.

Question 2

Do you agree with the proposed transitional 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 transitional provisions and effective date for the issue as described in the exposure draft.

9. IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* – Revaluation method – proportionate restatement of accumulated depreciation

Question 1

Do you agree with the Board's proposal to amend the IFRS as described in the exposure draft? If not, why and what alternative do you propose?

We agree with the Board's proposal to amend IAS 16 and IAS 38. However, we do not believe that re-estimation of the residual value, the useful life or the depreciation method must have been made **prior** to a revaluation in order for the restatement of the accumulated depreciation not to be proportionate to the change in the gross carrying amount of the asset. We believe that when both the gross carrying amount of the asset and the net carrying amount are separately restated by reference to observable market data, the accumulated depreciation is the difference between such amounts, resulting in its restatement not being proportionate to the change in the gross carrying amount of the asset. In this case, re-estimation of the residual value, the useful life or the depreciation method is implicit in the restatement methodology and simultaneous with, but not prior to, the restatement.

The following example demonstrates a lack of proportionality without having made a re-estimation of the residual value, the useful life or the depreciation method prior to the revaluation:

	Current	Proposed
Cost or valuation-		
- prior to the revaluation	12,000	12,000
- revaluation adjustment	3,600 (30%)	4,000 (33%)

- after the revaluation	15,600	16,000 [1]
Accumulated depreciation -		
- prior to the revaluation	(2,000) (1/6)	(2,000) (1/6)
- revaluation adjustment	(600) (30%)	(1,000) (50%)
- after the revaluation	(2,600) (1/6)	(3,000) (3/16)
Restated amount	13,000	13,000 [1]

[1] Observable data.

Accordingly, we believe that the introduction to the amendment and paragraphs BC1 and BC3 should be revised.

Some members of our TWG believe strongly that this amendment should also be considered in the proposed revisions to the IFRS for SMEs.

Question 2

Do you agree with the proposed transitional 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 transitional provisions and effective date for the issue as described in the exposure draft.

10. IAS 24 *Related Party Disclosures* – Key management personnel

Question 1

Do you agree with the Board's proposal to amend the IFRS as described in the exposure draft? If not, why and what alternative do you propose?

We agree with the Board's proposal to amend IAS 24 and believe that the amendments to address the disclosures related to management entities will greatly help improve the consistency of related disclosures among entities.

Question 2

Do you agree with the proposed transitional 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 transitional provisions and effective date for the issue as described in the exposure draft.

11. IAS 36 *Impairment of Assets* – Harmonization of disclosures for value in use and fair value less costs of disposal

Question 1

Do you agree with the Board's proposal to amend the IFRS as described in the exposure draft? If not, why and what alternative do you propose?

We agree with the Board's proposal to amend IAS 36 regarding the required disclosures when there has been a material impairment loss or impairment reversal in the period.

Question 2

Do you agree with the proposed transitional 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 transitional provisions and effective date for the issue as described in the exposure draft.

** End of the document. **