Grupo Latinoamericano de Emisores de Normas de Información Financiera

Group of Latin American Accounting Standard Setters

April 4, 2017

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

RE: Exposure Draft ED/2017/1 – Annual Improvements to IFRS Standards 2015-2017 Cycle

Dear Board Members:

The "Group of Latin American Accounting Standard Setters"[1] – GLASS welcomes the opportunity to comment on the Exposure Draft ED/2017/1 – Annual Improvements to IFRS Standards 2015-2017 Cycle (the "ED").

Due process

The discussions regarding the ED were held within a specified Technical Working Group (TWG) created in March 2017. 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

Almost all Latin American countries have recently adopted or are in the process of fully adopting IFRS, thus for the preparation of our regional response, we prioritize comments and feedback received from preparers, users and other parties directly involved or affected by the application of the standards subject to the proposed amendments (IAS 12, IAS 23 and IAS 28).

As will be seen from our answers to the questions included below, we generally agree with the Board's proposals, but we would like to make some suggestions for changes or additions that we believe will allow achieving a more comprehensible text, thereby reducing the possibilities of differing interpretations.

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).

GLENIF
GLASS

Grupo Latinoamericano
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)

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Exhibit

GLASS Comment Letter on the IASB Exposure Draft on the
Annual Improvements to IFRS® Standards 2015–2017 Cycle

Amendments to IAS 12, *Income Taxes*

Income tax consequences of payments on financial instruments classified as equity

The Board proposes to clarify that the requirements in paragraph 52B of IAS 12 apply not just in the circumstances described in paragraph 52A of IAS 12, but to all income tax consequences of dividends.

Question 1—Proposed amendments
Do you agree with the Board's proposal to amend the Standards in the manner described in the Exposure Draft? If not, why, and what alternative do you propose?

We generally agree with the proposal.

In our opinion, the proposed change clarifies the Standard even though the essence of what is previously established by IAS 12 is not being modified.

Nevertheless, we believe that the specific inclusion, in the initial text, of the moment when the tax consequences of the distributions of earnings to owners should be recognized would improve understanding, and we therefore suggest that paragraph 58A include the underlined addition shown below:

"The income tax consequences of dividends declared are linked ..."

Proposed amendments to IAS 23, *Borrowing Costs*

Borrowing costs eligible for capitalisation

Paragraph 14 of IAS 23 specifies how to determine the amount of borrowing costs eligible for capitalisation when an entity borrows funds generally and uses them to obtain a qualifying asset. The Board proposes to amend that paragraph to clarify that when a qualifying asset is ready for its intended use or sale, an entity treats any outstanding borrowing made specifically to obtain that qualifying asset as part of the funds that it has borrowed generally.

Question 1—Proposed amendments
Do you agree with the Board's proposal to amend the Standards in the manner described in the Exposure Draft? If not, why, and what alternative do you propose?

We agree with the proposed amendments because they clarify the manner of calculating the borrowing rate for capitalization applicable to generic loans.

In our view, the proposed amendment reduces the likelihood of misinterpretation of the concept, thereby facilitating its homogeneous application by preparers, and a clearer understanding by users, of financial information.

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Proposed amendments to IAS 28, *Investments in Associates and Joint Ventures*

Long-term interests in an associate or joint venture

The Board proposes to clarify that an entity is required to apply IFRS 9, *Financial Instruments*, including its impairment requirements, to long-term interests in an associate or joint venture that, in substance, form part of the net investment in the associate or joint venture but to which the equity method is not applied.

Question 1—Proposed amendments
Do you agree with the Board's proposal to amend the Standards in the manner described in the Exposure Draft? If not, why, and what alternative do you propose?

We agree with the proposed changes, since in our view they make it clear that IFRS 9 should be applied to assess and measure the impairment of so-called long-term interests (paragraph 38).

Nevertheless, we also suggest that the explanation in paragraph 38 be expanded to facilitate the determination of the cases in which the concept of "Long-term interests" should be applied.

We also believe that the last sentence of paragraph 38 should be deleted because it is inconsistent, or at least confusing, with what is proposed in the amendment, with which we have expressed our agreement. We present below the sentence that we suggest eliminating (the underlining is ours):

> *"Losses recognised using the equity method in excess of the entity's investment in ordinary shares are applied to the other components of the entity's interest in an associate or a joint venture in the reverse order of their seniority (ie priority in liquidation)."*

According to the proposal, with which we agree, the amount of the total investment, a portion of which is measured using the equity method and whose recoverable amount must be calculated when and as established in IAS 36, and a second portion that is measured and impairment calculated in accordance with IFRS 9. Therefor there is no possibility that any losses determined according to IAS 28 applying the equity method will be applied to the remaining portion of the investment without a double counting and recording of the same concept.

Question 2— Effective date of the proposed amendments to IAS 28, Investments in Associates and Joint Ventures
The Board is proposing an effective date of 1 January 2018 for the proposed amendments to IAS 28. The reasons for that proposal are explained in paragraphs BC7–BC9 of the Basis for Conclusions on the proposed amendments to IAS 28. Do you agree with the effective date for those proposed amendments? If not, why, and what alternative do you propose?

We agree with the proposed effective date even though it will come very soon, because we believe that in essence the Standard is not being changed.