Grupo Latinoamericano
de Emisores de Normas
de Información Financiera

Group of Latin American
Accounting Standard Setters

November 22, 2019

IFRS Foundation
Columbus Building
7 Westferry Circus
Canary Wharf
London E14 4HD
United Kingdom

RE: Disclosure of Accounting Policies – Proposed amendments to IAS 1 and IFRS Practice Statement 2

Dear members of the IFRS Foundation:

The "Group of Latin American Accounting Standard Setters"[1] – GLASS welcomes the opportunity to comment on the Exposure Draft ED/2019/6 – Disclosure of Accounting Policies - Proposed amendments to IAS 1 and IFRS Practice Statement 2 (the "ED").

This response summarizes the points of view of the members of the different countries that comprise GLASS, pursuant to the following due process.

Due process

The discussions regarding the ED were held within a specified Technical Working Group (TWG) created in October 2019. All country members had the opportunity to designate at least one member to participate in this GTT. Each standard setter represented in the TWG carried out different tasks in their respective countries (for example, surveys, internal working groups). All results were summarized, and this summary served as the platform for the TWG discussion process.

The TWG discussed the different points of view included in the summary through conference calls. In those calls, the TWG developed a final document based on the agreed-upon responses and technical points of view of its members. Finally, the TWG document was submitted to and approved by the GLASS Board.

Overall comments

It should be noted that, in general, all member countries support the approach of the ED.

This is particularly important with regard to the appropriate application of the concept of "materiality" when disclosing accounting policies, rather than the "significant" accounting policies.

[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 (Chairman), Bolivia, Brazil (Board), Chile, Colombia (Board), Costa Rica (Board), Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico (Vice Chairman), Panama, Paraguay, Peru (Board), Uruguay (Board) and Venezuela (Board).

Similarly, taking into account the concept of “materiality”, IASB proposes to add two examples to IFRS Practice Statement 2, which are intended to illustrate how the such concept can be applied when making decisions about the disclosure of accounting policies.

The consensus of the country members is agreement with the proposals. However, some commented that they suggest improving the Spanish translation of the proposals, so that the new content becomes more understandable.

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.

Sincerely yours,

Jorge Gil
Chairman
Group of Latin American Accounting Standard Setters (GLASS)

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GLASS comment letter on the Exposure Draft of
Disclosure of Accounting Policies - Proposed amendments to IAS 1 and IFRS Practice Statement 2

Question 1
The Board proposes to amend paragraph 117 of IAS 1 to require entities to disclose their "material" accounting policies instead of their "significant" accounting policies. Do you agree with this proposed amendment? If not, what changes do you suggest and why?

In general, we agree with the proposed modifications:
- The new modification provides greater consistency with the definition of materiality established in IAS 8;
- An accounting policy disclosed in the financial statements is more useful when it deals with material events;
- They enhance consideration of the decision making of current and potential investors and creditors.

Question 2
The proposed new paragraph 117A of IAS 1 states that not all accounting policies relating to material transactions, other events or conditions are themselves material to an entity's financial statements. Do you agree with this proposed statement? If not, what changes do you suggest and why?

We agree that not all accounting policies relating to material transactions are themselves material to an entity's financial statements.

However, the way in which the paragraph is written shows an apparent contradiction between the criteria to consider as material or not an accounting policy when it relates to transactions, or immaterial conditions, versus when it deals with transactions, or material conditions, which is confusing.

The wording could be improved by first addressing the criteria for defining an accounting policy as material and, secondly, by mentioning that not all policies relating to material transactions will be themselves material and therefore they would not need to be disclosed. Finally, it should be mentioned that accounting policies relating to immaterial transactions are themselves immaterial and do not need to be disclosed.

The information related to a material accounting policy must:
- Be related to a material event or transaction;
- Merit the exercise of deep professional judgment.

Question 3
The proposed new paragraph 117B of IAS 1 lists examples of circumstances in which an entity is likely to consider an accounting policy to be material to its financial statements. Do the proposed examples accurately and helpfully describe such circumstances? If not, what changes do you suggest and why?

We agree with citing circumstances in which an entity is likely to consider an accounting policy to be material.

We believe that the examples accurately describe the circumstances in which an entity might consider an accounting policy to be material, but we would suggest considering the possibility of including some additional examples, for example, with application in the case of an industrial company, or a banking entity, for example:

- With significant increases in risk related to the assets of an entity or the existence of uncertainties in the sector in which the entity carries out its activity;
- With the activation of a significant level of intangible assets.

Question 4
The Board proposes to add to IFRS Practice Statement 2 two examples that illustrate how the concept of materiality can be applied when making decisions about accounting policy disclosures. Are these examples useful and do they demonstrate effectively how the concept of materiality can be applied in making decisions about accounting policy disclosures? If not, what changes do you suggest and why?

They examples are considered to be useful.

We believe that the examples demonstrate how the concept of materiality can be applied; however, example T regarding policies that only duplicate the requirements of other IFRS seems to be a fairly obvious case in which the required disclosure of information is already met, so it would be advisable to include examples in which the decision is not so obvious, for example, when an issue is addressed that does not have a guideline expressly provided in an IFRS, but corresponds to the application of a particular policy pursuant to IAS 8, such as the treatment of assets considered as cultural heritage, for which there is no specific IFRS, but which may include material transactions.

Question 5
Would any wording or terminology introduced in the proposed amendments be difficult to understand or to translate?

We did not find any wording or terminology introduced in the proposed amendments to be difficult to understand.

**GLASS comment letter on the Exposure Draft of
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Question 6
Do you have any other comments on the proposals of this Exposure Draft?

We have no additional comments, other than those mentioned in question 2.