Grupo Latinoamericano
de Emisores de Normas
de Información Financiera

Group of Latin-american
Accounting Standard Setters

August 20 2020

International Accounting Standards Board
7 Westferry Circus
Canary Wharf
London E14 4HD
United Kingdom

RE: Discussion Paper 2018/01, Annual Improvements to IFRS Standards 2018-2010

Dear Board Members:

The "Group of Latin American Accounting Standard Setters"[1] – GLASS welcomes the opportunity to comment on the Exposure Draft ED/2019/2: Annual Improvements to IFRS Standards 2018-2020

Due process
The discussions regarding the ED were held within a specified Technical Working Group (TWG) created in June 2019. 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 agree with the IASB proposals for improvements to the IFRS included in the project of Annual Improvements to IFRS Standards 2018-2020, regarding:

- **Amendments to IFRS 1, First-time Adoption of International Financial Reporting standards,**
- **Amendment to IFRS 9, Financial Instruments, and**
- **Amendment to IAS 41, Agriculture**

Regarding the **Amendment to Illustrative Examples Accompanying IFRS 16 Leases**, we do not consider there to be significant benefit in eliminating the incentive for reimbursing the leasehold improvements from the example. We believe that the reader of IFRS 16 will easily understand that such incentive should be credited to property, plant and equipment, rather than to the right-of-use asset. In addition, this is very well explained in the example. We would support adding in the example an explanation that it is a different kind of incentive than the one to be credited to the right of use and explain why.

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

Grupo Latinoamericano
de Emisores de Normas
de Información Financiera

Group of Latin-american
Accounting Standard Setters

Sincerely yours,

Eduardo Pocetti
Chairman
Group of Latin American Accounting Standard Setters (GLASS)

Grupo Latinoamericano de Emisores de Normas de Información Financiera

Group of Latin-american Accounting Standard Setters

Exhibit

GLASS Comment Letter on the IASB Exposure Draft on Annual Improvements to IFRS Standards 2018-2020

IFRS 1, First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter
Do you agree with the Board's proposal to amend the Standard and accompanying documents in the manner described in the Exposure Draft? If not, why not, and what do you recommend instead?

We agree that if a subsidiary becomes a first-time adopter later than its parent, if the subsidiary elects to apply paragraph D16(a) of IFRS 1, such subsidiary shall, in its financial statements, measure its assets, liabilities and also the cumulative translation differences at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to IFRS.

If the subsidiary elects to apply paragraph D16(b) of IFRS 1, it should measure its assets, liabilities and the cumulative translation differences based on the subsidiary's date of transition to IFRS.

The amendment is applicable and useful to establish the accounting treatment of the accrued translation differences that arise when an entity makes its first-time adoption in different dates in compliance with the local standards applicable in each country.

IFRS 9, Financial Instruments – Fees included in the "10 per cent" test for derecognition of financial liabilities
Do you agree with the Board's proposal to amend the Standard and accompanying documents in the manner described in the Exposure Draft? If not, why not, and what do you recommend instead?

We agree to expand paragraph B3.3.6 that deals with determining if the terms of a liability are substantially different after a renegotiation, to indicate that, in determining the fees paid net or fees received, a borrower shall include only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

We agree it is not necessary to amend paragraph AG62 of IAS 39, *Financial Instruments: Recognition and Measurement*, since such paragraph would only apply to a limited number of entities (insurers) and for a limited period of time, and in the rare case when an insurance entity, that has not yet adopted IFRS 17, *Insurance Contracts*, renegotiates its liabilities. Paragraph B3.3.6 may be applied, if necessary, in accordance with paragraph 11a) of IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.

Illustrative examples accompanying IFRS 16, Leases – Lease incentives
Do you agree with the Board's proposal to amend the Standard and accompanying documents in the manner described in the Exposure Draft? If not, why not, and what do you recommend instead?

We do not consider there to be significant benefit in eliminating the incentive for reimbursing the leasehold improvements from the example. We believe that the reader of IFRS 16 will easily understand that such incentive should be credited to property, plant and equipment, rather than to the right-of-use asset. In addition, this is very well explained in the example. We would support adding in the example an explanation that it is a different kind of incentive than the one to be credited to the right of use and explain why.

IAS 41, Agriculture – Taxation in fair value measurements
Do you agree with the Board's proposal to amend the Standard and accompanying documents in the manner described in the Exposure Draft? If not, why not, and what do you recommend instead?

We agree to eliminate the cash flows related to taxation when measuring the fair value, amending the reference in paragraph 22 of IAS 41, *Agriculture*, since it would make the valuation assumptions to be inconsistent. This is a correction that should had been made since 2008, when the Board amended IAS 41 to remove the requirement for entities to use a pre-tax rate to discount cash flows when measuring fair values.