



SAS Quadra 05. Bloco J. CFC
Brasília, Distrito Federal – Brazil
www.cpc.org.br

March 13, 2014

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

RE: ED 2013/11 – Annual Improvements to IFRSs 2012-2014 Cycle

Dear Board Members,

The Comitê de Pronunciamentos Contábeis - CPC (Brazilian Accounting Pronouncements Committee)¹ welcomes the opportunity to respond the ED 2013/11 – Annual Improvements to IFRSs 2012-2014 Cycle.

We are a standard-setting body engaged in the study, development and issuance of accounting standards, interpretations and guidance for Brazilian companies.

a) IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

Question 1 - Proposed amendment

Do you agree with the IASB's proposal to amend the Standards as described in the Exposure Draft? If not, why and what alternative do you propose?

We agree with the proposed amendments.

In addition, we believe that the Board should emphasize in paragraph 26B that the date of classification does not change, keeping the one year expected date of sale/distribution term when classifying from held for sale to held for distribution. For example, if the entity classified the asset as an asset held for sale in March 31st 2013 and, in September 30st 2013, decided to reclassify the asset held for sale to the asset held for distribution, then we believe that the maximum date to distribute this asset should be March 31st 2014, considering the one-year requirement in paragraph 8 of IFRS 5.

¹ The Brazilian Accounting Pronouncements Committee (CPC) is a standard-setting body engaged in the study, development and issuance of accounting standards, interpretations and guidances for Brazilian companies. Our members are nominated by the following entities: ABRASCA (Brazilian Listed Companies Association), APIMEC (National Association of Capital Market Investment Professionals and Analysts), BMFBOVESPA (Brazilian Stock Exchange and Mercantile & Future Exchange), CFC (Federal Accounting Council), FIPECAFI (Financial and Accounting Research Institute Foundation) and IBRACON (Brazilian Institute of Independent Auditors).



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These procedures would avoid entities to manipulate the classification and values of the assets by intentionally switching classification as held for sale/distribution without sound reasoning.

Question 2 - Transition provisions and effective date

Do you agree with the proposed transition 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 transition provisions and effective date for the issue as described in the Exposure Draft.

b) IFRS 7 Financial Instruments: Disclosure

Question 1 - Proposed amendment

Do you agree with the IASB's proposal to amend the Standards as described in the Exposure Draft? If not, why and what alternative do you propose?

We generally agree with the proposed amendment.

Question 2 - Transition provisions and effective date

Do you agree with the proposed transition 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 transition provisions and effective date for the issue as described in the Exposure Draft.

c) IAS 19 Employee Benefits

Question 1 - Proposed amendment

Do you agree with the IASB's proposal to amend the Standards as described in the Exposure Draft? If not, why and what alternative do you propose?

We believe that the Board should focus on the requirements of determination of discount rate for employee benefits in the jurisdiction or on the currency. In some countries, such as Brazil, it is very common for an entity to issue corporate bonds denominated in another currency. In the case of emerging economies, the interest rate paid for bonds in local currency is usually higher than in bonds denominated in US dollar, for example, given the currency risk. Assuming the limited number of bonds issued in local currency, the current Board's proposal on this matter would not bring positive results to Brazil and other countries with similar characteristics. Therefore, we propose an amendment in paragraph 83 to reflect the above rationale, consisting mainly in the presumption that the discount rate should reflect the funding cost of each jurisdiction, adjusted by the exchange risk, if different currencies are involved in the determination of the rate.



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However, we agree with the proposal in light of the Eurozone, for example, where there is only a single currency.

Question 2 - Transition provisions and effective date

Do you agree with the proposed transition 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 transition provisions and effective date for the issue as described in the Exposure Draft.

d) IAS 34 Interim Financial Reporting

Question 1 - Proposed amendment

Do you agree with the IASB's proposal to amend the Standards as described in the Exposure Draft? If not, why and what alternative do you propose?

We believe that relevant information must be disclosed in the interim statements notes rather than in other locations, facilitating the analysis of the users and the conclusion of the auditors, whose focus is mainly on the set of the financial statements. Therefore, we do not agree with the Board's proposal on this matter. We propose that the Board should rewrite paragraph 16A of IAS 34 to clarify that information required by that paragraph to be disclosed should be included exclusively in the notes, and not elsewhere in the financial reporting set, such as in the management's report.

Question 2 - Transition provisions and effective date

Do you agree with the proposed transition 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 transition provisions and effective date for the issue as described in the Exposure Draft.

If you have any questions about our comments, please contact us at operacoes@cpc.org.br.

Yours sincerely,

Idésio da Silva Coelho Júnior
Chair of International Affairs
Comitê de Pronunciamentos Contábeis (CPC)