



SAS Quadra 05. Bloco J. CFC
Brasília, Distrito Federal – Brazil
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IFRS Foundation

30 Cannon Street
London EC4M 6XH
United Kingdom

Reference: DI/2015/2 - IFRIC – Foreign currency transactions and advance consideration

Dear Interpretation Committee Members,

The Comitê de Pronunciamentos Contábeis - CPC (Brazilian Accounting Pronouncements Committee)¹ welcomes the opportunity to respond to the Draft IFRIC Interpretation DI/2015/2 - IFRIC – Foreign currency transactions and advance consideration.

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

Our detailed responses to the specific questions posed in the Draft Interpretation are set forth in the following pages.

Although we fully support the Interpretation Committee initiative, we believe that the conclusions of this document could be better presented as an amendment to the current IAS 21 itself, rather than as an IFRIC Interpretation. We also believe that the Board should consider amending the original standard instead of issuing IFRIC interpretations in situations similar to this one.

If you have any questions about our comments, please do not hesitate to contact us at operacoes@cpc.org.br.

Yours sincerely,

Silvio Takahashi

¹The 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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Chair of International Affairs
Comitê de Pronunciamentos Contábeis (CPC)

Question 1—Scope

The draft Interpretation addresses how to determine the date of the transaction for the purpose of determining the spot exchange rate used to translate foreign currency transactions on initial recognition in accordance with paragraphs 21–22 of IAS 21. Foreign currency transactions that are within the scope of the draft Interpretation are described in paragraphs 4–6 of the draft Interpretation.

Do you agree with the scope proposed in the draft Interpretation? If not, what do you propose and why?

Answer to question 1:

We agree with the scope proposed in the Draft Interpretation.

Question 2—Consensus

The consensus in the draft Interpretation provides guidance on how to determine the date of the transaction for the purpose of determining the spot exchange rate used to translate the asset, expense or income (or part of it) on initial recognition that relates to, and is recognised on the derecognition of, a non-monetary prepayment asset or a non-monetary deferred income liability (see paragraphs 8–11). The basis for the consensus is explained in paragraphs BC22–BC33. This includes the Interpretations Committee’s consideration of the interaction of the draft Interpretation and the presentation in profit or loss of exchange differences arising on monetary items in accordance with paragraphs 28–29 of IAS 21 (see paragraphs BC32–BC33).

Do you agree with the consensus proposed in the draft Interpretation? If not, why and what alternative do you propose?

Answer to question 2:

We are in accordance to the ‘one-transaction’ approach and believe that it is already stated in IAS 21 for the measurement of an advance consideration that becomes a non-monetary item.

Question 3—Transition

On initial application, entities would apply the proposed Interpretation either:

- (a) retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors; or
- (b) prospectively to all foreign currency assets, expenses and income in the scope of the proposed Interpretation initially recognised on or after:
 - (i) the beginning of the reporting period in which an entity first applies the proposed Interpretation; or



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(ii) the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which an entity first applies the proposed Interpretation.

Do you agree with the proposed transition requirements? If not, what do you propose and why?

Answer to question 3:

We agree with the proposed transition requirements.