



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

March 11, 2013

Leonardo Piombino (lpiombino@ifrs.org)
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

RE: Applicability of the Amendments to IFRS 7: *Disclosures–Offsetting Financial Assets and Financial Liabilities* to condensed interim financial statements

Dear Board Members,

The Comitê de Pronunciamentos Contábeis - CPC (Brazilian Accounting Pronouncements Committee)¹ welcomes the opportunity to respond the IFRS Interpretations Committee – Applicability of the Amendments to IFRS 7: *Disclosures–Offsetting Financial Assets and Financial Liabilities* to condensed interim financial statements

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

Applicability of the Amendments to IFRS 7: *Disclosures–Offsetting Financial Assets and Financial Liabilities* to condensed interim financial statements

Paragraph 44R of IFRS 7 - *Financial Instruments: Disclosures* states [emphasis added]:

44R *Disclosures—Offsetting Financial Assets and Financial Liabilities* (Amendments to IFRS 7), issued in December 2011, added paragraphs IN9, 13A–13F and B40–B53. An entity shall apply those amendments for annual periods beginning on or after 1 January 2013 **and interim periods within those annual periods**. An entity shall provide the disclosures required by those amendments retrospectively.

The issue is whether the highlighted text requires the disclosures now required by paragraphs 13A-13F and B40-B53 of IFRS 7 (“the additional disclosures”) to be included in condensed interim financial statements prepared in accordance with IFRSs. There are three views on this issue:

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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View 1: The additional disclosures are not required in a set of condensed financial statements

IAS 34 defines the minimum content of a condensed set of interim financial statements and no consequential amendment was made to that standard upon issue of the December 2011 amendments to IFRS 7. IAS 34 continues to make no reference to offsetting, disclosure of such arrangements is only required in a condensed set of financial statements as described in IAS 34 to the extent that it is necessary to comply with the general requirements of IAS 34.15-15C to provide an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the entity since the end of the last annual reporting period.

The inclusion of “interim periods” in IFRS 7.44R is only relevant if a complete set of financial statements (as described in IAS 1) is produced for an interim period or the information is required to be disclosed under IAS 34.15-15C. IFRS 7.44R does not establish a requirement to disclose information in interim periods incremental to those in IAS 34.

View 2: The additional disclosures are required in all sets of condensed financial statements for a period beginning on or after 1 January 2013

IFRS 7.44R is clear that these disclosures will be required in interim financial reports (condensed or otherwise) as it specifically refers to “interim periods” and IAS 34 provides no general exemption from requirements of other IFRSs specific to interim periods.

Paragraph 44R refers to “annual periods” and “interim periods” thereby implying that the disclosure requirements apply to interim periods in multiple annual periods, i.e. not just interim periods within the first annual period immediately following adoption.

The intention of the December 2011 amendment was to establish common disclosure requirements with the FASB and the FASB requires these disclosures in interim periods.

View 3: Additional disclosures are required only in a condensed set of financial statements for an interim period during the year of adoption of the amendments to IFRS 7

The reference to interim periods in IFRS 7.44R suggests that these disclosures will be required in at least some interim financial reports; otherwise the reference to interim periods would have been omitted (as it was for the concurrent amendment to IAS 32). However, the lack of amendment to IAS 34.16A suggests that this is not an ongoing requirement for all interim financial reports. The reference to “interim periods” should be read as related to interim periods within the first annual period following adoption, not to all annual periods thereafter.



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Questions

Question 1: Do you think that the current wording of IFRS 7.44R has the potential to lead to divergent interpretations?

We believe that, although the amendment is clear, being the requirements applicable for both annual and interim financial statements, applicants should apply IAS 34 requirements for interim statements, being IFRS 7 requirements applicable only if new events or transactions have occurred in the interim period. We understand that such alternative would be more adequate considering the objectives of interim statements.

Question 2: What is the predominant view in your jurisdiction?

Whenever is legally possible to offset financial assets and liabilities this is done, and properly recorded in the financial statements. However, in some instances, offsetting of assets and liabilities is not allowed by law.

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

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Idésio da Silva Coelho Júnior'.

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