



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

March 21, 2013

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

RE: Outreach Request - Classification as discontinued operations – Held for Sale with IPO or dividend in kind

Dear Board Members,

The Comitê de Pronunciamentos Contábeis CPC (Brazilian Accounting Pronouncements Committee)¹ welcomes the opportunity to respond the Outreach Request - Classification as discontinued operations – Held for Sale with IPO or dividend in kind.

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

In February 2013, the IFRS Interpretations Committee received a request from the European Securities and Markets Authority (ESMA) to clarify the application of the guidance in IFRS 5 Non-current Assets Held for Sale and Discontinued Operations regarding the classification of a non-current asset (or a disposal group) as held for sale, in the case of:

- (a) a disposal plan that is intended to be achieved by means of an initial public offering (IPO) but where the prospectus has not been approved by the securities regulator; and
- (b) a change in a disposal plan from a plan that previously qualified as held for sale into a plan to spin off the disposal group and distribute a dividend in kind to its shareholders.

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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1. Summary of the issue

The submitter refers to the case of an entity's plan to dispose of a profitable division by way of an IPO.

The submitter mentions that the plan has been approved by the entity's board of directors and that the IPO is intended to be completed within 12 months of its original classification. The submitter also mentions that the entity has initiated internal preparations for the IPO, including the preparation of regulatory and sales documents and engaging with external advisors. However, the entity will not contact prospective buyers until it receives regulatory approval. The latter has also prevented the entity from announcing an offering price publicly.

Question 1 – The submitter questions whether the entity's disposal group would qualify as held for sale before the prospectus is approved, assuming all of the other criteria in IFRS 5 have been fulfilled.

The submitter notes that as the market conditions decline, the management decides that a disposal through an IPO is no longer feasible and instead it decides to spin off the disposal group and issue a dividend in kind to the shareholders.

Question 2 – The submitter questions whether a change in a disposal method from a plan that previously qualified as held for sale to a plan to spin off Division B and issue a dividend in kind to the shareholders would qualify as a change to a plan of sale.

2. Questions

Q1. Is the sale of an asset (or disposal group), either by means of an IPO or by a distribution of a dividend-in-kind to the shareholders, common or relevant in your jurisdiction?

Sale of an asset (or disposal group), either by means of an IPO or by a distribution of a dividend-in-kind is not common in Brazil.

Q2. Is a change in a disposal method (ie from a plan that previously qualified as held for sale to a plan that involves a spin off and issue of a dividend-in-kind) common or relevant in your jurisdiction?

See response to question 1.

Q3. If yes to Q1 and Q2, what is the prevalent approach in your jurisdiction to account for these transactions?

N/A



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If you see diversity in practice in that accounting, please explain how.

This response summarizes the views of our members, which may be supported by the opinions of external parties, sent to us for analysis and to enhance the discussion on the subject matter. We have also made efforts to encourage other external parties to send comments directly to the IASB.

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)