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

March 25, 2013

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

RE: Exposure Draft ED/2012/6 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Dear Board Members,

The "Comitê de Pronunciamentos Contábeis" - CPC[1] welcomes the opportunity to support you with our comments on the Exposure Draft: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.

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.

Yours sincerely,

Idésio da Silva Coelho Júnior
Deputy chair of international affairs
Comite de Pronunciamentos Contabeis (CPC)

[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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Question 1:

The IASB proposes to amend IFRS 10 so that the gain or loss resulting from the sale or contribution of a subsidiary that does not constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture is recognised only to the extent of the unrelated investors' interests in the associate or joint venture. The consequence is that a full gain or loss is recognised on the loss of control of a subsidiary that constitutes a business, as defined in IFRS 3, including cases in which the investor retains joint control of, or significant influence over, the investee. Do you agree with the amendment proposed? Why or why not? If not, what alternative do you propose?

Answer to question 1:

We agree with the proposed amendment because it is possible that the transaction could be structured and accounted based on their legal form rather than economic substance of the transaction.

Question 2:

The IASB proposes to amend IAS 28 (2011) so that:

(a) the current requirements for the partial gain or loss recognition for transactions between an investor and its associate or joint venture only apply to the gain or loss resulting from the sale or contribution of assets that do not constitute a business, as defined in IFRS 3; and

(b) the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture is recognised in full.

Do you agree with the amendment proposed? Why or why not? If not, what alternative do you propose?

Answer to question 2:

We agree with the proposed amendment because if the assets contributed or sold to an investee (and the group of assets is a business) is accounted by that investee in accordance with the requirements of IFRS 3, therefore, gains and losses generated by this transaction should be recognised in full in investor's profit or loss. This procedure is consistent with the procedure adopted by the investee (recognition of the assets purchased). Therefore, we believe that it improves the condition of comparability of financial statements.

COMITÊ DE PRONUNCIAMENTOS CONTÁBEIS

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Question 3:

The IASB proposes to apply the proposed amendments to IFRS 10 and IAS 28 (2011) prospectively to sales or contributions occurring in annual periods beginning on or after the date that the proposed amendments would become effective. Do you agree with the proposed transition requirements? Why or why not? If not, what alternative do you propose?

Answer to question 3:

We agree with the proposed amendmentAdditionally, if the transaction (sale or contribution of assets) was not carried at fair value, so, the retrospectively application of the changes would imply in substantial work in raising the original fair value of the transactions to determine the result on the business sale, increasing costs in lieu of the benefits on such measure.