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/2012/7 Acquisition of an Interest in a Joint Operation

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).

COMITÊ DE PRONUNCIAMENTOS CONTÁBEIS

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Question 1:

The IASB proposes to amend IFRS 11 and IFRS 1 so that a joint operator accounting for the acquisition of an interest in a joint operation in which the activity of the joint operation constitutes a business applies the relevant principles on business combinations accounting in IFRS 3 and other Standards, and discloses the relevant information required by those Standards for business combinations. Do you agree with the proposed amendment? Why or why not? If not, what alternative do you propose?

We agree with the proposed amendment to IFRS 11 and IFRS 1, which will allow the recognition of goodwill, if any, upon the acquisition of an interest in a joint operation when it constitutes an existing business under IFRS 3.

This is justified because the current IFRSs already require the recognition of goodwill, if any, upon the acquisition of an interest in an associate or joint venture (which integrates the carrying amount of the investment). However, it was not clear whether the same treatment should be applied to the acquisition of an interest in an existing joint operation. In this sense, the change is relevant.

Question 2:

The IASB intends to apply the proposed amendment to IFRS 11 and the proposed consequential amendment to IFRS 1 to the acquisition of an interest in a joint operation on its formation. However, it should not apply if no existing business is contributed to the joint operation on its formation. Do you agree with the proposed amendment? Why or why not? If not, what alternative do you propose?

At first it seems hard to imagine a situation where an entity acquires an interest in a joint operation before its formation and the business already exists, that is, that the formation of the joint operation does not coincide with the formation of the business. The reasons why a joint operation is formed are so specific that it seems strange that a business exists even before the formation of the joint operation. Therefore, the lack of a broad orientation may give rise to different treatments and, thus, impair comparability.

However, if that is the case, there may be a business even before the formation of the joint operation, then, we agree with the proposed change, but suggest a somewhat

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different wording to clarify this issue. So, we suggest the following wording for the paragraph B33B:

"Paragraphs 21A e B33A are also applicable when an acquisition of an interest in a joint operation on its formation, since the formation of the joint operation, as specified by IFRS 11, does not coincide with the formation of the business, as defined by IFRS 3. Then, the procedure can only be adopted when the business already exists before the formation of the joint operation."

We also suggest that it includes at least one example of a situation where an entity acquires an interest in a joint operation upon its formation and that such formation does not coincide with the formation of the business.

Also note that paragraph 2(a) of IFRS 3 specifies that it does not apply to the formation of a joint venture. Then, if the principles of the IFRS 3 apply to the acquisition of an interest in a joint operation on its formation, which may result in recognition of goodwill (or bargain purchase), then the same treatment can be expected for the acquisition of an interest in a joint venture on its formation.

Question 3:

The IASB intends to apply the proposed amendment to IFRS 11 and the proposed consequential amendment to IFRS 1 prospectively to acquisitions of interests in joint operations in which the activity of the joint operation constitutes a business on or after the effective date. Do you agree with the proposed transition requirement? Why or why not? If not, what alternative do you propose?

We agree with the proposed amendment, since the earlier application would be more complex to be performed. We understand that 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.