



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

June 30, 2010
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

RE: Exposure Draft on Financial Instruments: Amortised Cost and Impairment.

Dear Sir/Madam,

The “Comitê de Pronunciamentos Contábeis” - CPC¹ welcomes the opportunity to comment on the Exposure Draft named Financial Instruments: Amortised Cost and Impairment.

We are 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:

- a) the São Paulo Stock Exchange;
- b) the Federal Accounting Council;
- c) the Brazilian Association of Listed Companies;
- d) the Brazilian Institute of Independent Auditors;
- e) the Research Institute of Accounting, Actuarial and Financial Foundation; and
- f) the National Association of Capital Market Investment Professionals and Analysts.

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 our Board Member, Geraldo Toffanello (geraldtoffanello@gerdau.com.br).

Yours sincerely,

Edison Arisa Pereira
Technical Coordinator
Comitê de Pronunciamentos Contábeis (CPC)

¹ Brazilian Accounting Standards Board



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Consultation Questions

Question 1

Is the description of the objective of amortised cost measurement in the exposure draft clear? If not, how would you describe the objective and why?

Comment:

The description of the objective of amortized cost is clear.

Question 2

Do you believe that the objective of amortised cost set out in the exposure draft is appropriate for that measurement category? If not, why? What objective would you propose and why?

Comment:

The objective is aligned with the measurement category proposed in the Exposure Draft.

Question 3

Do you agree with the way that the exposure draft is drafted, which emphasizes measurement principles accompanied by application guidance but which does not include implementation guidance or illustrative examples? If not, why? How would you prefer the standard to be drafted instead, and why?

Comment:

The subject and the calculation of amortised cost can be quite difficult to be understood and implemented by many entities, because it will change the currently used method of "Incurred Loss Model" to the method of "Expected Future Credit Losses", which should be better detailed in practical and illustrative aspects rather than only by using conceptual aspects.

Using illustrative examples, when it is possible, is very helpful to demonstrate in a practical way how to use and adopt the requirements of proposed standard.

It is important to consider that it is a complex subject and Non-financial entities could face difficulties to implement this standard, without a detailed guidance and illustrative examples.



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Question 4

- (a) Do you agree with the measurement principles set out in the exposure draft? If not, which of the measurement principles do you disagree with and why?
- (b) Are there any other measurement principles that should be added? If so, what are they and why should they be added?

Comment:

The measurement principles set out in the exposure draft are in accordance with the proposed changes, however, some illustrative examples would be very helpful to users understand how to meet all requirements of this standard.

Question 5

- (a) Is the description of the objective of presentation and disclosure in relation to financial instruments measured at amortised cost in the exposure draft clear? If not, how would you describe the objective and why?
- (b) Do you believe that the objective of presentation and disclosure in relation to financial instruments measured at amortised cost set out in the exposure draft is appropriate? If not, why? What objective would you propose and why?

Comment:

The description of the objective is clear, however, some illustrative examples would be very helpful to users understand how to meet all requirements of this standard.

Question 6

Do you agree with the proposed presentation requirements? If not, why? What presentation would you prefer instead and why?

Comment:

We agree with the presentation in the statement of comprehensive income. We just highlight the need of some illustrative examples as a matter of helping users to meet this requirement.

Question 7

- (a) Do you agree with the proposed disclosure requirements? If not, what disclosure requirement do you disagree with and why?
- (b) What other disclosures would you prefer (whether in addition to or instead of the proposed disclosures) and why?

Comment:



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We agree with the proposed disclosure requirements, however, we just suggest that the standard provide a clarification about a part of paragraph 14 that states as follows: “group financial instruments into classes that are appropriate to the nature of the information disclosed and that take into account the characteristics of those financial instruments”.

This part seems to be too wide and users could have doubts about what kind of characteristics of financial instruments should be disclosed separately, even being part of a class of financial instrument. Different interpretations about this aspect can impact comparability of financial statements among entities.

Question 8

Would a mandatory effective date of about three years after the date of issue of the IFRS allow sufficient lead-time for implementing the proposed requirements? If not, what would be an appropriate lead-time and why?

Comment:

A mandatory effective date of about three years is considered enough for implementing the proposed requirements. As earlier application is permitted, entities interested in adopting this standard in advance will be allowed to do that.

Question 9

(a) Do you agree with the proposed transition requirements? If not, why? What transition approach would you propose instead and why?

(b) Would you prefer the alternative transition approach (described above in the summary of the transition requirements)? If so, why?

(c) Do you agree that comparative information should be restated to reflect the proposed requirements? If not, what would you prefer instead and why? If you believe that the requirement to restate comparative information would affect the lead-time (see Question 8) please describe why and to what extent.

Comment:

We agree with the proposed transition requirements, as well as the restatement of comparative information with the objective of presenting the effects of the adoption of this standard for all periods presented since the date of initial application.

Question 10

Do you agree with the proposed disclosure requirements in relation to transition? If not, what would you propose instead and why?

Comment:



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We agree with the proposed disclosure requirements.

Question 11

Do you agree that the proposed guidance on practical expedients is appropriate? If not, why? What would you propose instead and why?

Comment:

We agree with the proposed guidance on practical expedients. We just highlight the need of some illustrative examples as a matter of helping users to meet this requirement.

Question 12

Do you believe additional guidance on practical expedients should be provided? If so, what guidance would you propose and why? How closely do you think any additional practical expedients would approximate the outcome that would result from the proposed requirements, and what is the basis for your assessment?

Comment:

We consider that paragraphs of Practical expedients already provide enough guidance about how to meet its requirements. We just highlight the need of some numerical examples as a matter of helping users to meet this requirement.