COMITÊ DE PRONUNCIAMENTOS CONTÁBEIS

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Reference: ED 2015/10 - Annual Improvements to IFRSs 2014–2016 Cycle

The Comitê de Pronunciamentos Contábeis - CPC (Brazilian Accounting Pronouncements Committee)[1] welcomes the opportunity to respond to the ED 2015/10 - Annual Improvements to IFRS 2014 – 2016 Cycle.

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

If you have any questions about our comments, please do not hesitate to contact us at operacoes@cpc.org.br.

Yours sincerely,

Silvio Takahashi
Chair of International Affairs
Comitê de Pronunciamentos Contábeis (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).

Question 1—Proposed amendment
Do you agree with the IASB's proposal to amend the Standards as described in the Exposure Draft? If not, why and what alternative do you propose?

Answer to question 1:

Standard	CPC Opinion
IFRS 1 First-time Adoption of International Financial Reporting Standards	We believe that the proposed revisions are adequate and so, we agree with such amendments.
IFRS 12 Disclosure of Interests in Other Entities	
IAS 28 Investments in Associates and Joint Ventures	We have some concerns in respect to the difference in treatment for subsidiaries and associates/joint ventures established in IFRS 10 and IAS 28, respectively, regarding the fair value measurement. IFRS 10 **requires** an investment entity not to consolidade its subsidiaries and measure them at fair value. IAS 28 **allows** an investment entity to measure its investment in associates and joint ventures at fair value. This assimetry can undermine the quality and comparison of accounting information between investment entities that only has investment in subsidiaries and investment entities that invests in associates and joint ventures. The business model of both entities is based on fair value, but the second one is allowed (not required) to measure the investees at fair value. We think the problem will be worsened by allowing the election of fair value measurement in IAS 28 on an investment-by-investment basis. This situation creates opportunity for earnings management. Likewise, we do not understand the conceptual basis for using different approaches in the standards (investment entities in IFRS 10 and venture capital organizations, mutual funds etc, in IAS 28). Paragraph BC46A of IAS 28 indicates some potential differences in the definition of these entities.

Question 2—Transition provisions
Do you agree with the proposed transition provisions as described in the Exposure Draft? If not, why and what alternative do you propose?

Answer to question 2:

Standard	CPC opinion
IFRS 1 First-time Adoption of International Financial Reporting Standards	We agree that the entity apply those amendments prospectively
IFRS 12 Disclosure of Interests in Other Entities	
IAS 28 Investments in Associates and Joint Ventures	We agree that the entity could apply those amendments retrospectively