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IFRS Foundation

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Reference: Exposure Draft ED 2018/2—Onerous Contracts-Cost of Fulfilling a Contract: Proposed amendments to IAS 37

The Comitê de Pronunciamentos Contábeis - CPC (Brazilian Accounting Pronouncements Committee)¹ welcomes the opportunity to respond to the proposed amendments to IAS 37 EC/2018/2.

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,

Rogério Lopes Mota
Chair of International Affairs
Comitê de Pronunciamentos Contábeis (CPC)

¹The 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), B3 (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).



Questions for respondents, answered below by the CPC:

Question 1

The Board proposes to specify in paragraph 68 of IAS 37 that the cost of fulfilling a contract comprises the costs that relate directly to the contract (rather than only the incremental costs of the contract). The reasons for the Board's decisions are explained in paragraphs BC16–BC28.

Do you agree that paragraph 68 of IAS 37 should specify that the cost of fulfilling a contract comprises the costs that relate directly to the contract? If not, why not, and what alternative do you propose?

We agree that paragraph 68 of IAS 37 should specify that the cost of fulfilling a contract comprises the costs that relate directly to the contract, however, we recommend a proofreading because there are indirect costs, such as allocation of costs related to contract activities, listed over the examples.

In our opinion, the Board should add in the standard the following definition: “includes all the costs an entity cannot avoid because it has the contract. Such costs include both the incremental costs of the contract and an allocation of other costs incurred on activities required to fulfil the contract” (referenced in BC 16b).

Question 2

The Board proposes to add paragraphs 68A–68B which would list costs that do, and do not, relate directly to a contract.

Do you have any comments on the items listed?

Are there other examples that you think the Board should consider adding to those paragraphs? If so, please provide those examples.

We believe that the Board should indicate that the list included in the paragraphs 68A-68B is non-exhaustive and should be referenced to the IFRS 15.97.

Question 3

Do you have any other comments on the proposed amendments?

No other comments.