COMITÊ DE PRONUNCIAMENTOS CONTÁBEIS

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International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
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RE: DP 2013/1 – A Review of the Conceptual Framework for Financial Reporting

Dear Board Members,

The Comitê de Pronunciamentos Contábeis - CPC (Brazilian Accounting Pronouncements Committee)[1] welcomes the opportunity to respond the DP 2013/1 – A Review of the Conceptual Framework for Financial Reporting.

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

SESSION 1 - INTRODUCTION

Question 1

Paragraphs 1.25-1.33 set out the proposed purpose and status of the Conceptual Framework. The IASB's preliminary views are that:
(a) the primary purpose of the revised Conceptual Framework is to assist the IASB by identifying concepts that it will use consistently when developing and revising IFRSs; and
(b) in rare cases, in order to meet the overall objective of financial reporting, the IASB may decide to issue a new or revised Standard that conflicts with an aspect of the Conceptual Framework. If this happens the IASB would describe the departure from the Conceptual Framework, and the reasons for that departure, in the Basis for Conclusions on that Standard.

Do you agree with these preliminary views? Why or why not?

We agree with point (a) based on the underlying idea that the IASB will bear in mind that the Framework aims at assisting it by identifying the concepts to be used when developing and revising IFRS. IFRS, in turn, aims at providing useful information for those who rely on a company's financial statements in their decision-making process.

[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).

As a result, the IASB cannot overlook the importance of meeting these users' expectations.

Additionally, the Conceptual Framework would continue to be the basis for clarification of issues that have not yet been addressed in a specific standard. Moreover, the basic elements for the preparation of financial statements - such as assets, liabilities, etc. - are defined in the Conceptual Framework. In summary, while the IASB is the Conceptual Framework's primary user, it is not its only user, and interests of other stakeholders should always be considered.

SESSION 2 – elements of financial statements

Question 2

The definitions of an asset and a liability are discussed in paragraphs 2.6-2.16. The IASB proposes the following definitions:

(a) an asset is a present economic resource controlled by the entity as a result of past events.

(b) a liability is a present obligation of the entity to transfer an economic resource as a result of past events.

(c) an economic resource is a right, or other source of value, that is capable of producing economic benefits.

Do you agree with these definitions? Why or why not? If you do not agree, what changes do you suggest, and why?

We would prefer to maintain today's definition, because we believe that asset is the economic benefit embodied in one agent or economic resource. But we agree that this definition is not practical. So we suggest to explicit that the asset, in fact, is the economic benefit, but that for accounting purposes, we define it as being the economic resource controlled by the entity that is capable of producing economic benefits for the such entity. So, we recommend that IASB elaborate on the definitions in order to avoid misunderstandings with the concept of "economic" from an economist's point of view, which would necessarily imply that the resource has a market value. Additionally, it is a fact that an "economic resource" is a right, or another source of value, that is capable of producing economic benefits. However, these economic benefits are not necessarily a spontaneous consequence of the fact that economic resources exist per se, but require administrative action and the combined use of other economic resources.

Question 3

Whether uncertainty should play any role in the definitions of an asset and a liability, and in the recognition criteria for assets and liabilities, is discussed in paragraphs 2.17-2.36. The IASB's preliminary views are that:

(a) the definitions of assets and liabilities should not retain the notion that an inflow or outflow is 'expected'. An asset must be capable of producing economic benefits. A liability must be capable of resulting in a transfer of economic resources.

(b) the Conceptual Framework should not set a probability threshold for the rare cases in which it is uncertain whether an asset or a liability exists. If there could be significant uncertainty about whether a particular type of asset or liability exists, the IASB would decide how to deal with that uncertainty when it develops or revises a Standard on that type of asset or liability.

(c) the recognition criteria should not retain the existing reference to probability.

Do you agree? Why or why not? If you do not agree, what do you suggest, and why?

In general we agree with it, since the recognition criteria for assets and liabilities are straightforward. We believe that a probability or a minimum percentage should not be established, as IFRS is principle based. Nevertheless, we believe that some guidance in the sense of considering the qualitative characteristics of information and contingent liabilities should be given.

Question 4

Elements for the statement(s) of profit or loss and OCI (income and expense), statement of cash flows (cash receipts and cash payments) and statement of changes in equity (contributions to equity, distributions of equity and transfers between classes of equity) are briefly discussed in paragraphs 2.37-2.52.

Do you have any comments on these items? Would it be helpful for the Conceptual Framework to identify them as elements of financial statements?

We agree that identifying these elements as part of these financial statements could be useful. We will be waiting for them to be proposed in the Exposure Draft.

As for profit or loss originated in the Income Statement and in Other Comprehensive Income (which together make up total comprehensive income for the period), the Discussion Paper is not clear about whether the proposed definition refers to the elements shown in these statements or if it intends to further define the composition of subtotal and total lines presented therein. In the first case, we believe that the definition of the elements for those statements could be very useful and thus should be included in the Conceptual Framework. If the second case applies, we believe that the definitions would be better placed in a potential revision of IAS 1. Both would be useful in the sense of providing a better understanding of the underlying relationship among financial statements.

However, we believe that these subtotals/elements are relevant enough to deserve a conceptual description as dimensions of economic and financial performance built within elements of financial statements.

This is because the existing IFRSs bring no explanation for the fact that there are two income statements (profit or loss and total comprehensive income). Moreover, there is no conceptual definition that explains (i) why certain items of income and expense are recognized in profit or loss and others are recognized in OCI and (ii) why some items of OCI are recycled in profit or loss and others are not.

Accordingly, it is desirable that the Framework presents a conceptual view that allows users to distinguish between elements that are part of profit or loss or that are merely part of OCI and between different accounting treatments (recycled or not).

SESSION 3 – ADDITIONAL GUIDANCE TO SUPPORT THE ASSET AND LIABILITY DEFINITIONS

Question 5

Constructive obligations are discussed in paragraphs 3.39-3.62. The discussion considers the possibility of narrowing the definition of a liability to include only obligations that are enforceable by legal or equivalent means. However, the IASB is tentatively favours retaining the existing definition, which encompasses both legal and constructive obligations—and adding more guidance to help distinguish constructive obligations from economic compulsion. The guidance would clarify the matters listed in paragraph 3.50.

Do you agree with this preliminary view? Why or why not?

We agree that the concept of liability should not be limited to items enforceable by legal or equivalent means. Adding guidance that helps distinguish constructive obligations from economic compulsion might help.

Question 6

The meaning of 'present' in the definition of a liability is discussed in paragraphs 3.63-3.97. A present obligation arises from past events. An obligation can be viewed as having arisen from past events if the amount of the liability will be determined by reference to benefits received, or activities conducted, by the entity before the end of the reporting period. However, it is unclear whether such past events are sufficient to create a present obligation if any requirement to transfer an economic resource remains conditional on the entity's future actions. Three different views on which the IASB could develop guidance for the Conceptual Framework are put forward:

> View 1: a present obligation must have arisen from past events and be strictly unconditional. An entity does not have a present obligation if it could, at least in theory, avoid the transfer through its future actions.
>
> View 2: a present obligation must have arisen from past events and be practically unconditional. An obligation is practically unconditional if the entity does not have the practical ability to avoid the transfer through its future actions.
>
> View 3: a present obligation must have arisen from past events, but may be conditional on the entity's future actions.

We believe that the term "strictly" mentioned in view 1 is too strong to be feasible. So, we support other views, especially View 3, which would also cover obligations whose outcome depends on uncertain future events, provided that the obligation has arisen from past events (i.e. it is the outcome of the obligation that depends on uncertain future events).

Accordingly, we understand that past events are sufficient to create an obligation, and so, this obligation is not necessarily unconditional (strictly or almost). On the other hand, we believe that a liability should not be recognized where the entity has the unconditional right of avoiding a future outflow of economic resources for its liquidation.

We understand that view 3, which is more comprehensive, brings more useful information to users of financial statements, but certainly this principle should be detailed in the specific rules to prevent liabilities from being created without proper reasoning.

Question 7

Do you have comments on any of the other guidance proposed in this section to support the asset and liability definitions?

We believe that this section should be improved to include more objective definitions. The effort sometimes endeavored by IASB in seeking to cover every single possibility may result in quite complex standards that would result in a large variety of interpretations. The Guidance on Constructive Obligations (3-39 to 3-62) does not state if "Constructive Obligations" include what some authors refer to as "Equitable Obligations". For the benefit of our positions, we interpreted that as "positive", i.e., the definition includes such concept.

SESSION 4 – RECOGNITION AND DERECOGNITION

Question 8

Paragraphs 4.1-4.27 discuss recognition criteria. In the IASB's preliminary view, an entity should recognise all its assets and liabilities, unless the IASB decides when developing or revising a particular Standard that an entity need not, or should not, recognise an asset or a liability because:

(a) recognising the asset (or the liability) would provide users of financial statements with information that is not relevant, or is not sufficiently relevant to justify the cost; or
(b) no measure of the asset (or the liability) would result in a faithful representation of both the asset (or the liability) and the changes in the asset (or the liability), even if all necessary descriptions and explanations are disclosed.

Do you agree with this preliminary view? Why or why not?

We agree with the preliminary view presented.

Question 9

In the IASB's preliminary view, as set out in paragraphs 4.28-4.51, an entity should derecognise an asset or a liability when it no longer meets the recognition criteria.
(This is the control approach described in paragraph 4.36(a)). However, if the entity retains a component of an asset or a liability, the IASB should determine when developing or revising particular Standards how the entity would best portray the changes that resulted from the transaction. Possible approaches include:

(a) enhanced disclosure;

(b) presenting any rights or obligations retained on a line item different from the line item that was used for the original rights or obligations, to highlight the greater concentration of risk; or

Do you have comments on any of the other guidance proposed in this section to support the asset and liability definitions?

We believe that this section should be improved to include more objective definitions.

SESSION 5 – DEFINITION OF EQUITY AND DISTINCTION BETWEEN LIABILITIES AND EQUITY INSTRUMENTS

Question 10

The definition of equity, the measurement and presentation of different classes of equity, and how to distinguish liabilities from equity instruments are discussed in paragraphs 5.1-5.59. In the IASB's preliminary view:

(a) the Conceptual Framework should retain the existing definition of equity as the residual interest in the assets of the entity after deducting all its liabilities.

(b) the Conceptual Framework should state that the IASB should use the definition of a liability to distinguish liabilities from equity instruments. Two consequences of this are:

   (i) obligations to issue equity instruments are not liabilities; and
   (ii) obligations that will arise only on liquidation of the reporting entity are not liabilities (see paragraph 3.89(a)).

(c) an entity should:

   (i) at the end of each reporting period update the measure of each class of equity claim. The IASB would determine when developing or revising particular Standards whether that measure would be a direct measure, or an allocation of total equity.
   (ii) recognise updates to those measures in the statement of changes in equity as a transfer of wealth between classes of equity claim.

(d) if an entity has issued no equity instruments, it may be appropriate to treat the most subordinated class of instruments as if it were an equity claim, with suitable disclosure. Identifying whether to use such an approach, and if so, when, would still be a decision for the IASB to take in developing or revising particular Standards.

Do you agree? Why or why not? If you do not agree, what changes do you suggest, and why?

The majority of our members understand that the IASB should retain the existing definition of "Equity" with adjustments commented below and work on the "liabilities" definition in order to distinguish them from "Equity Instruments".

As we understand it, some of the frequent misunderstandings involving the distinction between liabilities and equity stem from the practices allowed by legal and regulatory concepts adopted in different jurisdictions.

In Brazil, for instance, some companies have issued at least one type of equity instrument. Additionally, Brazilian Corporate Law requires the payment of a minimum dividend, which could be largely interpreted as inferring that ordinary and preferred shares should no longer be classified as "equity" but rather as "liabilities" (from a strict perspective).

In our view, equity instruments should retain the idea that they represent the "residual amount of assets after deducting liabilities", provided that the entity operates on a "going concern" basis. Bearing that in mind, equity instruments would emphasize that security holders' rights are associated to the risk of the business.

Under this concept, minimum dividend obligations would not affect the classification of ordinary shares as "equity", while instruments that would only arise after the settlement of liabilities and whose yield was based on the risk of the business would be classified as "equity instruments", regardless of the existence of legal provisions that would define them as "equity".

So, the majority of our members believe that the Strict Obligation Approach is the most appropriate, since not only existing equity instruments (ordinary, preferred and any other class of shares) in the most residual existing class of equity instrument issued by the entity could be included in equity. This approach should assure that obligation to deliver a variable number of shares, whose total fair value equals a fixed amount (variable to fixed) and obligation to deliver a variable number of shares, whose total fair value equals specific amount indexed for a commodity price, inflation or exchange variation indexes be classified as equity (variable to variable), if such the entity has the intention and ability to make such conversion of such instruments into entity shares.

SESSION 6 – MEASUREMENTS

Question 11

How the objective of financial reporting and the qualitative characteristics of useful financial information affect measurement is discussed in paragraphs 6.6-6.35. The IASB's preliminary views are that:
(a) the objective of measurement is to contribute to the faithful representation of relevant information about:
- (i) the resources of the entity, claims against the entity and changes in resources and claims; and
- (ii) how efficiently and effectively the entity's management and governing board have discharged their responsibilities to use the entity's resources.

(b) a single measurement basis for all assets and liabilities may not provide the most relevant information for users of financial statements;
(c) when selecting the measurement to use for a particular item, the IASB should consider what information that measurement will produce in both the statement of financial position and the statement(s) of profit or loss and OCI;
(d) the relevance of a particular measurement will depend on how investors, creditors and other lenders are likely to assess how an asset or a liability of that type will contribute to future cash flows. Consequently, the selection of a measurement:
- (i) for a particular asset should depend on how that asset contributes to future cash flows; and
- (ii) for a particular liability should depend on how the entity will settle or fulfil that liability.

(e) the number of different measurements used should be the smallest number necessary to provide relevant information. Unnecessary measurement changes should be avoided and necessary measurement changes should be explained; and
(f) the benefits of a particular measurement to users of financial statements need to be sufficient to justify the cost.

Do you agree with these preliminary views? Why or why not? If you disagree, what alternative approach to deciding how to measure an asset or a liability would you support?

We agree with the preliminary view presented since we believe that entities should measure their assets and liabilities in such a way as to best represent how an entity will be generating and/or using economic resources in the future.

Question 12

The IASB's preliminary views set out in Question 11 have implications for the subsequent measurement of assets, as discussed in paragraphs 6.73-6.96. The IASB's preliminary views are that:

(a) if assets contribute indirectly to future cash flows through use or are used in combination with other assets to generate cash flows, cost-based measurements normally provide information that is more relevant and understandable than current market prices.
(b) if assets contribute directly to future cash flows by being sold, a current exit price is likely to be relevant.
(c) if financial assets have insignificant variability in contractual cash flows, and are held for collection, a cost-based measurement is likely to provide relevant information.
(d) if an entity charges for the use of assets, the relevance of a particular measure of those assets will depend on the significance of the individual asset to the entity.

Do you agree with these preliminary views and the proposed guidance in these paragraphs? Why or why not? If you disagree, please describe what alternative approach you would support.

We agree with the preliminary view presented since we believe that entities should subsequently measure their assets in such a way as to best represent how they will be used by an entity in its ordinary course of business.

Question 13

The implications of the IASB's preliminary views for the subsequent measurement of liabilities are discussed in paragraphs 6.97-6.109. The IASB's preliminary views are that:

(a) cash-flow-based measurements are likely to be the only viable measurement for liabilities without stated terms.

(b) a cost-based measurement will normally provide the most relevant information about:

(i) liabilities that will be settled according to their terms; and

(ii) contractual obligations for services (performance obligations).

(c) current market prices are likely to provide the most relevant information about liabilities that will be transferred.

Do you agree with these preliminary views and the proposed guidance in these paragraphs? Why or why not? If you disagree, please describe what alternative approach you would support.

We agree with the preliminary view presented since we believe that entities should subsequently measure their liabilities in such a way as to best represent how they will be settled.

Question 14

Paragraph 6.19 states the IASB's preliminary view that for some financial assets and financial liabilities (for example, derivatives), basing measurement on the way in which the asset contributes to future cash flows, or the way in which the liability is settled or fulfilled, may not provide information that is useful when assessing prospects for future cash flows.
For example, cost-based information about financial assets that are held for collection or financial liabilities that are settled according to their terms may not provide information that is useful when assessing prospects for future cash flows:

(a) if the ultimate cash flows are not closely linked to the original cost;

(b) if, because of significant variability in contractual cash flows, cost-based measurement techniques may not work because they would be unable to simply allocate interest payments over the life of such financial assets or financial liabilities; or

(c) if changes in market factors have a disproportionate effect on the value of the asset or the liability (ie the asset or the liability is highly leveraged).

Do you agree with this preliminary view? Why or why not?

We agree with the preliminary view presented since we believe that market value based measurement would represent more relevant information for these assets and liabilities.

Question 15

Do you have any further comments on the discussion of measurement in this section?

We have no further comments on the content of this section.

SESSION 7 – PRESENTATION AND DISCLOSURE

Question 16

This section sets out the IASB's preliminary views about the scope and content of presentation and disclosure guidance that should be included in the Conceptual

Framework. In developing its preliminary views, the IASB has been influenced by two main factors:

(a) the primary purpose of the Conceptual Framework, which is to assist the IASB in developing and revising Standards (see Section 1); and

(b) other work that the IASB intends to undertake in the area of disclosure (see paragraphs 7.6-7.8), including:
   (i) a research project involving IAS 1, IAS 7 and IAS 8, as well as a review of feedback received on the Financial Statement Presentation project;
   (ii) amendments to IAS 1; and
   (iii) additional guidance or education material on materiality.

Within this context, do you agree with the IASB's preliminary views about the scope and content of guidance that should be included in the Conceptual Framework on:

(a) presentation in the primary financial statements, including:
   (i) what the primary financial statements are;
   (ii) the objective of primary financial statements;
   (iii) classification and aggregation;
   (iv) offsetting; and
   (v) the relationship between primary financial statements.

(c) disclosure in the notes to the financial statements, including:
   (i) the objective of the notes to the financial statements; and
   (ii) the scope of the notes to the financial statements, including the types of information and disclosures that are relevant to meet the objective of the notes to the financial statements, forward-looking information and comparative information.

Why or why not? If you think additional guidance is needed, please specify what additional guidance on presentation and disclosure should be included in the Conceptual Framework.

We believe that IAS 1 would be a better standard if it includes such guidance.

Question 17

Paragraph 7.45 describes the IASB's preliminary view that the concept of materiality is clearly described in the existing Conceptual Framework. Consequently, the IASB does not propose to amend, or add to, the guidance in the Conceptual Framework on materiality. However, the IASB is considering developing additional guidance or education material on materiality outside of the Conceptual Framework project.

Do you agree with this approach? Why or why not?

We agree with the proposed strategy. Moreover, we understand that additional guidance on "materiality" would strongly benefit not only preparers but also users of financial information on their personal judgment.

Question 18

The form of disclosure requirements, including the IASB's preliminary view that it should consider the communication principles in paragraph 7.50 when it develops or amends disclosure guidance in IFRSs, is discussed in paragraphs 7.48-7.52. Do you agree that communication principles should be part of the Conceptual Framework? Why or why not? If you agree they should be included, do you agree with the communication principles proposed? Why or why not?

We believe that the communication principles should be part of the Conceptual Framework and we agree with the communication principles proposed. This is because the proposed principles guidelines emphasize that disclosures should be complete, accurate and concise.

Additionally, it should be noted that the IASB may contribute to improving the effectiveness of information disclosure by interacting with regulators in order to reduce or eliminate additional disclosure requirements by reviewing specific existing standards.

SESSION 8 – PRESENTATION IN THE STATEMENT OF COMPREHENSIVE INCOME – PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Question 19

The IASB's preliminary view that the Conceptual Framework should require a total or subtotal for profit or loss is discussed in paragraphs 8.19-8.22.

Do you agree? Why or why not?

If you do not agree do you think that the IASB should still be able to require a total or subtotal profit or loss when developing or amending Standards?

We agree that total and subtotal lines should be included.

Question 20

The IASB's preliminary view that the Conceptual Framework should permit or require at least some items of income and expense previously recognised in OCI to be recognised subsequently in profit or loss, ie recycled, is discussed in paragraphs 8.23-8.26.

Do you agree? Why or why not? If you agree, do you think that all items of income and expense presented in OCI should be recycled into profit or loss? Why or why not? If you do not agree, how would you address cash flow hedge accounting?

We agree that, ideally, those income and expense items previously recognized in OCI as a result of designation and/or election by an entity should subsequently be recycled as this would improve transparency about the difference between capital transactions and income.

However, we believe that this approach could bring some difficulties in the case of some adjustments derived from the capital maintenance concept (physical) and in the case that there are no objective instruments in defining in which periods these recycles should occur. So, we think that these two exceptions could be adopted, but under severe regulations.

Question 21

In this Discussion Paper, two approaches are explored that describe which items could be included in OCI: a narrow approach (Approach 2A described in paragraphs 8.40-8.78) and a broad approach (Approach 2B described in paragraphs 8.79-8.94).
Which of these approaches do you support, and why?

If you support a different approach, please describe that approach and explain why you believe it is preferable to the approaches described in this Discussion Paper.

We would prefer, as already stated, approach 2A, but we accept the broad approach (2B), but with the use of only two exceptions to the recycling: capital maintenance adjustments and items that are practically impossible to be recycled with a minimum of objectivity (actually, only some post-employment provision adjustments).

SESSION 9 – OTHER ISSUES

Question 22

Chapters 1 and 3 of the existing Conceptual Framework Paragraphs 9.2-9.22 address the chapters of the existing Conceptual Framework that were published in 2010 and how those chapters treat the concepts of stewardship, reliability and prudence. The IASB will make changes to those chapters if work on the rest of the Conceptual Framework highlights areas that need clarifying or amending. However, the IASB does not intend to fundamentally reconsider the content of those chapters.

Do you agree with this approach? Please explain your reasons.

If you believe that the IASB should consider changes to those chapters (including how those chapters treat the concepts of stewardship, reliability and prudence), please explain those changes and the reasons for them, and please explain as precisely as possible how they would affect the rest of the Conceptual Framework.

We agree that chapters 1 and 3 of the current Conceptual Framework should remain as they are, unless material changes in other chapters result in inconsistences that need to be addressed.

Question 23

Business model

The business model concept is discussed in paragraphs 9.23-9.34. This Discussion Paper does not define the business model concept. However, the IASB's preliminary view is that financial statements can be made more relevant if the IASB considers, when developing or revising particular Standards, how an entity conducts its business activities. Do you think that the IASB should use the business model concept when it develops or revises particular Standards? Why or why not? If you agree, in which areas do you think that the business model concept would be helpful? Should the IASB define 'business model'? Why or why not? If you think that 'business model' should be defined, how would you define it?

The use of the Business Model concept, besides more adequately reflecting the particularities of each entity, would bring the increased benefit of aligning the IFRS to the Integrated Reporting initiative. As we see it, each entity should be responsible for defining its own business model, as this would result in a better representation of how they do business. Nevertheless, as the "business model" concept is not yet one that every company is familiar with, the IASB should provide some guidance in its definitions and/or endorse the concept defined by the IIRC, amending it as applicable.

Question 24

Unit of Account

The unit of account is discussed in paragraphs 9.35-9.41. The IASB's preliminary view is that the unit of account will normally be decided when the IASB develops or revises particular Standards and that, in selecting a unit of account, the IASB should consider the qualitative characteristics of useful financial information. Do you agree? Why or why not?

We understand that the "unit of account" should be defined in the Conceptual Framework. Thus, the Conceptual Framework would contain a definition of the unit of account, and the specific standards would contain particular information regarding which assets or liabilities (or which group of assets and/or liabilities) would compose the unit of account to be used in connection with each specific standard.

Question 25

Going Concern

Going concern is discussed in paragraphs 9.42-9.44. The IASB has identified three situations in which the going concern assumption is relevant (when measuring assets and liabilities, when identifying liabilities and when disclosing information about the entity). Are there any other situations where the going concern assumption might be relevant?

We believe that the proposed situations are comprehensive enough, and no other cases need to be taken into consideration.

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Question 26

Capital Maintenance

Capital maintenance is discussed in paragraphs 9.45-9.54. The IASB plans to include the existing descriptions and the discussion of capital maintenance concepts in the revised Conceptual Framework largely unchanged until such time as a new or revised Standard on accounting for high inflation indicates a need for change.

Do you agree? Why or why not? Please explain your reasons.

We agree that the descriptions and discussions of capital maintenance concepts are to be retained in the revised Conceptual Framework. However, we do not agree that these concepts are important only in high inflation economies, given that revaluation is an accounting treatment that more closely applies to the concept of physical capital maintenance, irrespectively of the level of inflation.

We recommend that IASB put more attention to the effects of inflation, because they produce, sometimes, misleading accounting figures even under low rates of price level changes. Accordingly, we suggest further study on this matter.

If you have any questions about our comments, please contact us at operacoes@cpc.org.br.

Yours sincerely,

Idésio da Silva Coelho Júnior
Chair of International Affairs
Comitê de Pronunciamentos Contábeis (CPC)