



GLENIF
GLASS

REPORTAGE

GLASS represents the Latin America consensus in the IASB

Maristela Girotto

The proposal to unite the accounting standards setters in Latin America to jointly and consensually provide contributions to public consultations by the International Accounting Standards Board (IASB) came from the IASB itself. Discussed and approved after three meetings, the proposition resulted in the alliance of 12 countries for the establishment of the Group of Latin-american Accounting Standards Setters (GLASS, Glenif in spanish).

In June 2012, after Glenif completed a year of existence, its members celebrated the achievement of the Group's main objective: to interact and collaborate with the IASB on technical aspects, while respecting the sovereignty of each member country. During this period, the Latin American regional organization sent six letters of comment to the issuer of the International Financial Reporting Standards (IFRS).

During the development of its activities, one of the biggest merits of Glenif according to its members, is to take into account the reality of the profession and the stage of each country in the process of convergence of standards.

To accomplish the task of responding to the IASB public consultations, the Glenif has structured Technical Working Groups (TWGs), which are organized by subject areas and comprise experts from various member countries.

The TWGs are responsible for reviewing the issues raised by the International Accounting Standards Board, identify needs, harmonize the claims and write the letters of comments, which are subsequently submitted to the Glenif board.

"We launched a seed that has succeeded. Glenif completed one year of activities with the recognition of the IASB, which praised our structure, organization and contribution," said the Group's President, Juarez Domingues Carneiro, who is also chairman of the Brazilian Federal Accounting Council (CFC).

In this report, **RBC** brings relevant aspects of the history of this first year of Glenif and provides an overview of the activities of Group of Latin-American Accounting Standard Setters (GLASS), or Grupo Latinoamericano de Emisores Standards Información Financiera (Glenif, its acronym in Spanish) - highlighting in particular the work done by the six initial TWGs. **RBC** also presents the other regional groups that contribute to the IASB - European Financial Reporting Advisory Group (EFRAG), Asian-Oceania Standard-Setters Group (AOSSG) and PanAfrican Federation of Accountants (PAFA).



Board evaluates work and plans the Group's future

Twelve Latin American countries are being assisted by Glenif in the task of converging their accounting standards to the so called international standard - identified by the acronym IFRS. The Group is comprised of entities in Brazil, Argentina, Bolivia, Chile, Colombia, Ecuador, Mexico, Panama, Paraguay, Peru, Uruguay and Venezuela.

The responsibility for managing Glenif's work, which brings together nations from different political-economic nuances, belongs to a board currently composed of the following members: Juarez Domingues Carneiro, president, representative of Brazil; Jorge Gil, Vice President, Argentina; Rafael Rodríguez Ramos, Venezuela; Felipe Perez Cervantes, Mexico; Winston Fernandez, Uruguay; and Luis Alonso Colmenares Rodríguez, Colombia.

"With just one year since its establishment, Glenif already consolidated itself as an important entity in the area of interna-

tional accounting," said Juarez Domingues Carneiro, who will be chairman of the Group until June 2013, when he will be replaced by the current vice president, Jorge Gil.

All directors agreed that the Group's work in this first year of activity fulfilled the initial expectations and has become fundamental to building ties between the accounting standards setters of the region, assisting the IASB in its mission of producing global standards.

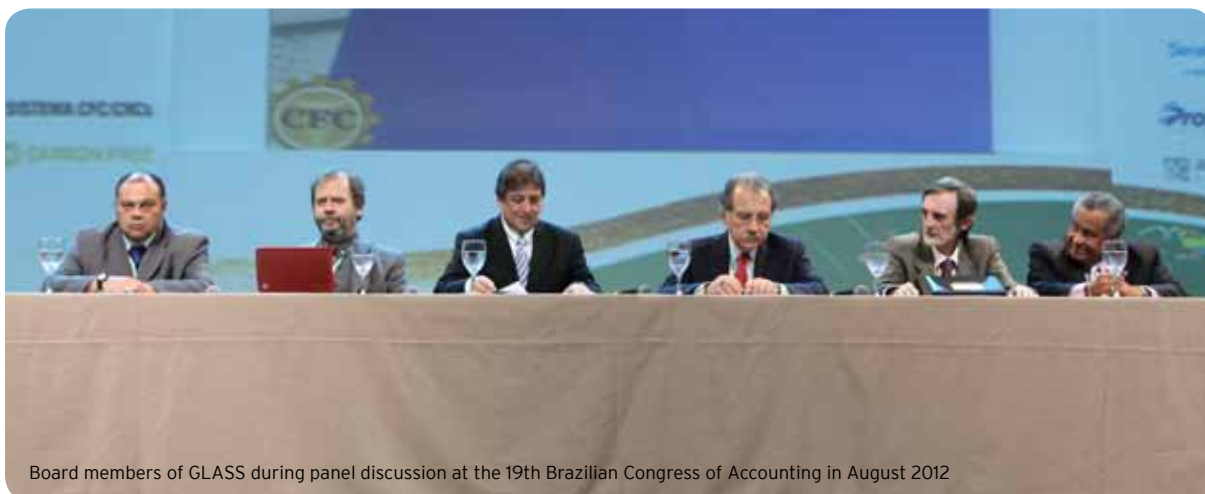
The expectation of the Glenif board for the coming years is to increase the interaction with normalizing entities in the accounting area of other Latin American countries, as the work done by the Group becomes recognized as part of a regional chain of supply of financial information that is essential to the construction of consistent, high quality international standards.

To the Glenif board, the broad and effective participation of

Latin Americans in the proposals sent to the IASB is essential. "This gives us strength, as a Group, to reaffirm our mission, which is to transform Glenif into the voice of Latin America," said Rafael Rodríguez Ramos.

"This type of organization is a historic opportunity for Latin America, because it goes beyond the merely academic or representative, becoming a living organism, which will develop, without a doubt, in a very short time, with ramifications unthinkable until recently" evaluates Winston Fernandez.

For the future, Juarez Domingues Carneiro reports that Glenif should be part of a new global support entity to the IASB. According to him, the IASB chairman, Hans Hoogervorst, during a meeting of the Glenif Directory and the Assembly of Accounting Standard Setters, held in Buenos Aires, Argentina, said a permanent forum will be formed with institutions around



Board members of GLASS during panel discussion at the 19th Brazilian Congress of Accounting in August 2012

Robson Cesco

the world to assist the IASB in the task to develop and deliver global standards. "Glenif was one of the first institutions invited to compose the forum," announces Juarez Carneiro.

Elected Directors

On July 3, at the Assembly of Accounting Standard-Setters, held in Buenos Aires, attended by representatives of the countries that make up Glenif, were elected two new directors, as provided in the Constitution Act of the Group. The representative of Uruguay, Winston Fernández, was reappointed to the post, and the representative of Colombia, Luis Rodriguez Colmenares, was elected director, filling the vacancy left by the representative of Chile, Mario Muñoz.

Constitution History

On June 28, 2011, during the Conference of CRECER - Accounting and Accountability for Regional Economic Growth in Buenos Aires, Argentina, was signed the Act of Constitution of Glenif. On the same day the members of the Directorate were elected, and they are responsible for directing the Group for a period of two years.

The challenge of uniting the countries of Latin America and constituting Glenif was overcome after discussions about the objectives, structure and activities of the group; technical issues of common interest for the formulation of the agenda to be sent to the IASB; and also on the feasibility of technical studies in coordination with IASB's regular activities.

To achieve consensus, four meetings were held with representatives of Latin American entities that are accounting standards setters. Two of them took

place in Brazil - on February 4 and March 30, in Brasília - and two in Argentina - on May 23 and June 28 in Buenos Aires. The first meeting, on February 4, was attended by the then chairman of the IASB, David Tweedie.

The bodies representing the 12 Glenif countries in Latin America are: Conselho Federal de Contabilidade (CFC) – Brazil; Federación Argentina de Consejos Profesionales de Ciencias Económicas (FACPCE) – Argentina; Colegio de Auditores o Contadores Públicos de Bolivia (CAUB) – Bolivia; Colegio de Contadores de Chile – Chile; Consejo Técnico de la Contaduría Pública (CTCP) – Colombia; Superintendencia de Compañías – Ecuador; Consejo Mexicano de Normas de Información Financiera A.C. (Cinif) – Mexico; Comisión de Normas de Contabilidad Financiera de Panamá (Nocofin) – Panama; Colegio de Contadores del Paraguay (CCPy) – Paraguay; Consejo Normativo de Contabilidad (CNC) – Peru; Colegio de Contadores, Economistas y Administradores del Uruguay (CCEAU) – Uruguay; and Federación de Colegios de Contadores Públicos de Venezuela (FCCPV) – Venezuela.

The first Glenif Directory Council meeting – composed of representatives from Brazil, Argentina, Venezuela, Mexico, Chile and Uruguay - was held on August 21, 2011, in Venezuela. At the time the Group's Regulation was approved, the planning for the 2011-2012 biennium was discussed and the actions necessary to implement the activities of the new accounting body were defined. In addition, in this meeting the first Technical Working Group (TWG) was instituted, to deal with a constant theme of the IASB's agenda.



Felipe Pérez Cervantes

Robson Cesco



Jorge Gil

Robson Cesco



Juarez Domingues Carneiro

Robson Cesco



Luis Alonso Colmenares

Robson Cesco



Rafael Rodríguez Ramos

Robson Cesco



Winston Fernandes

Robson Cesco

On October 26, a comment letter was sent to the IASB addressing the subject "Postponement of effective date of IFRS 9 to replace IAS 39." In the document there was a note: "This is GLASS's first participation in a IASB public consultation."

Second Assembly

Representatives from nine countries - from among the twelve that make up the Grupo Latinoamericano de Emisores de Normas de Información Financiera - participated on July 3 this year, in the 2nd Glenif Assembly of Accounting Standard Setters, at the headquarters of the Professional Council of Economic Sciences Argentina, in Buenos Aires. The main topics of the meeting were the discussion of the activities performed during Glenif's first year of work and the election of two members to the Board of the Group - Winston Fernandez and Luis Rodriguez Colmenares.

Glenif Objectives

According to the Constitution Act, Glenif's specific goals are:

- Interact before the IASB on technical aspects, respecting the national sovereignty of each member country, to make technical contributions directly to the IASB. The interaction is focused on documents issued by the IASB. This includes, for example, papers for discussion, drafting of rules, public hearings, standards promulgated as mandatory, revision of existing standards and proposals for change or improvement that address the specific situations of the countries of the region;
- promote the adoption and convergence with the standards issued by the IASB, in the jurisdictions in the region, and their consistent application;
- cooperate with governments, regulators and other regional, national and international bodies to contribute to improving the quality of financial statements in the region;
- collaborate in disseminating standards issued by the IASB in the region, particularly in the country to which each issuing body belongs;
- offer proposals to the agenda of the IASB and coordinate the alignment with the agenda of the region;
- act in technical meetings of the National Standard Setters (NSS) and World Standard Setters (WSS) that are considered appropriate, respecting the national sovereignty of each member who participates in both groups; and
- interact with other organisms in Latin America (Union of South American Nations - UNASUR, Southern Common Market - MERCOSUR, Andean Community - CAN) on topics related to accounting normativity."



Contributions sent to IASB

Ever since the creation of Glenif and approval of its rules six Technical Working Groups (TWG) were formed to address issues provided by the IASB in public consultation: TWG 1 - Agenda IASB Consultations 2011, TWG 2 - Investment Entities, TWG 3 - Leasing, TWG 4 - Governmental Loans, TWG 5 - Revenue Recognition and TWG 6 - Transition Guide. However, the first contri-

bution of Glenif to the IASB, on the public consultation on the mandatory effective date of IFRS 9 to replace IAS 39 was developed concurrently with the work of the TWG 1.

Of all the constituted TWGs, only TWG 3 - Leasing has not done the job because it awaits the IASB to provide the draft for public consultation. The group is established and will include the work

of William Allan Biese Decker, coordinator (Mexico); Marcelo Kozak (Argentina); Elisha Martins (Brazil), Carlos Olmedo Plúas (Ecuador) and Julio Laso (Panama). Felipe Pérez Cervantes will be the supervisor of TWG 3.

See below a description of how the first six Latin American contributions sent to the IASB were developed and what conclusions they conveyed.

Postponement of the effective date of IFRS 9 to replace IAS 39

As the Latin American nations are at different times in relation to the process of adopting the international accounting standards (IFRS), in the first contribution by Glenif to the IASB, the countries reached consensus that the postponement of the effective date of IFRS 9 would be beneficial to all, so that they would have more time for preparation.

"The comment letter was developed simultaneously while we revised the methodology and some preliminary results of the Agenda IASB Consultations. We made the best of the opportune moment with the representatives of the Glenif Directory to discuss the situation of each country, objectively, and the enforcement capacity of IFRS 9," says José Elias Feres de Almeida, the Brazilian representative in this work.

The diagnosis of the current situation in Latin America about the adoption of IFRS was reached after the explanation of the representatives of these countries. "Each member presented the sce-



José Elias Feres de Almeida

nario of his country, explaining the opportunities and challenges that the IFRS will bring to the accounting professionals," says Almeida. Based on this information, a consensus was reached that the postponement of the mandatory IFRS 9 would give more time for accounting professionals to be properly informed and trained on this standard.

The comment letter was sent on October 26, 2011. After receiving suggestions from the public consultation, the IASB has set the date for the implementation of IFRS 9 to January 1, 2015.

"I suggest to professionals involved with the topic to already initiate studies on this announcement," says Almeida.

TWG 1 - Agenda Consultations

The TWG 1 was constituted on 22 August, in order to identify appropriate responses to issues raised by the Agenda IASB Consultations 2011 consultation. TWG coordination fell to the Brazilian Ricardo Lopes Cardoso.

The group conducted a survey of the information from the sending of a questionnaire to the Glenif member organizations, which have made the document available on their respective websites. Through this questionnaire, Accounting professionals from various countries presented their suggestions on what IFRS standards needed to be revised, and provided contributions regarding the relevance of the topics included in the agenda of the IASB.

According to the coordinator of the TWG 1, each Glenif member country had freedom to define how to use the questionnaire. "Later, we made a comparative analysis of the country reports in order to identify the



Ricardo Lopes Cardoso

main points of convergence. We considered both the issues on which there was unanimity and those that, although there was no unanimity, were considered very important to many countries and found no resistance from any other. Thus, we identified nine areas of concern to Latin America," Cardoso explained.

The nine topics identified as most relevant were ranked according to priority, into two groups:

'high priority' and 'very important but not urgent'.

After this work, the final report was prepared by the coordinator of TWG 1. The comment letter was submitted for approval by the Glenif Directory and sent to the IASB on November 30, 2011.

"I have a strong expectation that a significant portion of the themes suggested by Glenif will integrate the IASB's agenda for the coming years. After all, there is great interest from Europeans, Asians, Africans and Americans about Latin America. This already occurred before the recent financial crisis and is intensifying with the worsening crisis - now affecting the public sector," Cardoso affirmed.

In addition to the accountant Ricardo Lopes Cardoso, coordinator of TWG and representative of Brazil, the group included the following members: Domingo Marchese (Argentina), Idésio Coelho (representative of the Accounting Pronouncements Committee - CPC, Brazil), Gladys Margarita Solar Feijoo (Ecuador), William Decker Biese (Mexico), Hector Castillo (Panama), Winston Fernandez (Uruguay) and Norelys Pinto (Venezuela).

Nine subjects

Ricardo Lopes Cardoso explains the nine themes identified by the TWG 1:

High priority

- **Conceptual Framework (known in Brazil as “CPC 00”):** The Conceptual Framework is the foundation of the Accounting Pronouncements (IFRS).
The IASB began a few years ago the process of revising the Conceptual Framework, but has not completed the work within the initially defined time frame and divided it into phases: critical phases, such as Definitions (eg, what’s Assets, Liabilities, Equity, Revenue, Expense, Income?) and Measurement (eg, Cost, Amortized Cost, Cost Less Depreciation, Fair Value, etc.) were started but not completed, and there is no new expected completion time limit. Since the Conceptual Framework is the foundation of IFRS and the IASB continues issuing pronouncements and modifying the IFRS without completing the review of the Conceptual Framework, the Glenif countries were unanimous in suggesting that the Conceptual Framework must be finalized by the IASB in the coming years.
- **Equity Adjustment Method (revision of IAS 27):** The TWG suggested a very small and punctual modification: allow investments in associates to be measured in the consolidated financial statements by the Equity Adjustment Method (EAM). Today, IAS 27 allows these investments to be measured at cost or at fair value, by free choice. So the suggestion is for the IASB to include one more option in the menu of measurement alternatives of investments in associates, only in the consolidated balance sheet. Although small, this change is critical to most countries in the region, after all, the EAM is required by corporate law in those countries – in Brazil, in conformity to Law No. 6.404/76.
- **Inflationary Accounting (significant revision of IAS 29):** IAS 29 is a very old and outdated pronouncement. Since its issuance, several jurisdictions – mostly Latin American countries - crossed dark periods of inflation of more than 2,000% a year and developed more appropriate techniques to reflect the loss of purchasing power of money in the financial statements. Brazil is an excellent example: between the 1980s and mid-1990s, we developed the Integral Monetary Restatement, a technique known to be far superior to that required by IAS 29. Given this reality, we have proposed a comprehensive review of IAS 29. But we do not suggest that the IASB should incorporate the (“Brazilian”) Integral Monetary Restatement in its pronouncement, because three countries (Brazil, Argentina and Mexico) preferred different techniques. So we decided to postpone this debate for when the IASB will include the topic in its Agenda.
- **Mining (revision of IFRS 6):** Considering the economic origins of Latin America (mining and agribusiness), this theme is very relevant to the countries in the region. However, the current statement (IFRS 6) is vague and incomplete. Therefore its review is demanded by the Glenif countries.
- **Discount rate:** several accounting pronouncements require the adjustment to present value by applying a “discount rate”. However, there is ambiguity and vagueness in the concept of “discount rate” in IFRS - something similar to what happened until last year regarding the term “fair value”. Therefore, we suggest that the IASB should issue a statement about this specific topic, to reduce ambiguity, along the same logic contained in the issuance of IFRS 13, which deals with fair value. Interestingly, this issue is not important for Brazil, since the CPC issued pronouncement 12 “Adjustment to the Present Value”, which was endorsed by the CFC and by the Brazilian Securities Commission (CVM); however, it was considered by other countries as very important, so Brazil has not created opposition.

- Public Utilities Concession Arrangements (review of IFRIC 12): in the last two decades, many countries have made significant efforts in the area of privatization of their economies (including Brazil), culminating in several concession contracts for public services. It so happens that the IFRIC 12 - that is not a statement (IFRS), but an interpretation (IFRIC) - has some inconsistencies in relation to the statements (IFRS) in force. Therefore, Glenif considers its revision fundamental; preferably, that the interpretation is revoked by a proper pronouncement.

Very important but not urgent

- Agriculture (revision of IAS 41): We suggest a small revision of IAS 41 in order to allow biological assets with characteristics of fixed assets - held to bear fruit to be marketed; the biological asset itself is not held for trading - to be measured through the cost method (less depreciation). The justification would be the difficulty to determine the fair value (less cost to sell) of these biological assets reliably without undue cost or effort. Considering the economic origins of Latin America (mining and agribusiness), this theme is also very relevant to the countries in the region.
- Business combinations between entities under common control: the pronouncements in force do not cover this type of transaction. The IFRS 3 only deals with business combination between entities subject to different controllers. Considering the economic boom in the region, it is very likely that in the near future this type of transaction shall become quite common.
- Financial liabilities with equity characteristics: some transactions with financial instruments are very complex. In some cases, organizations raise funds by issuing financial instruments that reside in the gray area of classification between liabilities and equity, and the pronouncements in force do not solve this problem. Similarly to the previous item, considering the economic boom in the region, it is very likely that in the near future this type of transaction shall become quite common.

TWG 2 - Investment Entities

Ever since the constitution of TWG 2, in September 2011, Domingo Marchese, coordinator and representative of Argentina in the Group prepared a program of tasks, which were developed with other members. "We did the translation of the summary of the norm to Portuguese and Spanish and prepared a research in both languages, which was distributed to members of the TWG," Marchese explained. In the following stage, there were meetings with special interest groups in each country, and the comments resulted in a summary of the views of all, generating a comment letter that was sent to the IASB after review and consideration by the Glenif Directory.

The group was composed of Domingo Marchese (coordinator), Alexandre Cordeiro de Andrade (Brazil), Remy Ángel Terceros Fernández (Bolivia), Daniel Sarmiento Pava (Colombia), Enrique Orlando Castillo Quiñones (Ecuador), Elsa Beatriz Garcia Bojorges (Mexico) Hector Castillo (Panama) and Norelly Pinto Vargas (Venezuela). The oversight was the responsibility of the vice president of Glenif, Jorge Gil. To foster work progress, consultation took place through discussion or focus groups.

The final document - Comment-Letter - was submitted to the Directory's approval in the virtual meeting held on January 3, 2012 and then sent to the IASB.

Domingo Marchese explains that the TWG work meetings were

developed with experts on the subject. According to him, there was massive participation of accountants because it is a topic of great specificity, which is not seen



Domingo Marchese

Publicity

in large scale in the countries of the region.

"In most of the answers there was a large percentage of coincidences, but it the central theme, namely, the validity or not of the the non-consolidation of investment entities, there were different opinions," explains the coordinator, adding that TWG 2 condensed in the document sent to IASB the views expressed by individual countries.

The main topics that were included in the letter of comment were about the following questions:

- a) Whether or not should entities categorized as investment become consolidated and, if this is not done, whether their measurement is appropriate at a reasonable value.
- b) Whether the criteria included in the standard draft are appropriate to classify this type of entities.
- c) Whether the fact of providing other services (linked or not with the investment activity) could be a cause of exclusion of entities, except for consolidation.
- d) Whether it is appropriate to classify an entity with a single investor as an investment entity.
- e) Whether it is appropriate to require investment entities that have investment properties, to use only the measurement option with a reasonable value.
- f) Whether it is appropriate for a controller who is not an investment entity, to consolidate all subsidiaries, including those controlled by investment entities.
- g) Whether the disclosure goals proposed in the draft standard are appropriate and whether the disclosure requirements will meet these goals.
- h) Whether we agree to apply the requirements of the draft standard on a prospective basis.
- i) If necessary, modify the IAS 28 consistently with changes that this standard would introduce if it is adopted as proposed.

TWG 3

The group's constitution was approved in October 2011, during a meeting of the Glenif Directory. Coordination is the responsibility of the accountant William Allan Biese Decker (Mexico) and the Group's oversight is carried out by Felipe Pérez Cervantes. Although the draft has not yet been released by the IASB, the group is formed and is comprised by the following members: William Allan Biese Decker, Marcelo Kozak (Argentina), Eliseu Martins (Brazil), Carlos Olmedo Plúas (Ecuador) and Julio Laso (Panama).

TWG 4 - Government Loans

The group's constitution was approved in October 26, 2011, during a meeting of the Glenif Directory. The TWG was coordinated by Renny Espinoza (Venezuela), under the supervision of Rafael Rodríguez Ramos.

According to Espinoza, the work process of was carried out by sending the draft under

consultation to the firms, institutions and organizations that were related to project content. "We have not received contributions from all countries, however, the participation manifested by Mexico meant, largely, a generalized position," said the coordinator of TWG 4.

In addition to Espinoza, the Group included the participation of Silvio Takahashi (Brazil), Sergio Cravero (Argentina), Idésio Coelho (Brazil), Gina Elizabeth Hidalgo Flores (Ecuador), Luis Antonio Cortés Moreno (Mexico) and Vidalma Moreno (Panama).

The final document was submitted to the Glenif Directory's approval in the virtual meeting held on January 3 this year and then sent to the IASB on the 5th of the same month.

According to Espinoza, the conclusion conveyed by the comment letter was: "The prospective treatment to loans obtained from the government, at the date of transition to IFRS, unless the information needed to apply it retroactively is obtained".

TWG 5 - Revenue Recognition

The Fifth Technical Working Group was approved by the Glenif board on October 26, 2011 and included the following members: Silvio Takahashi (coordinator - Brazil), William Allan Biese Decker (Mexico), Alberto Afiuni (Venezuela), Tania Regina Sordi Relvas (representative of the University of São Paulo-USP, Brazil), Felipe Sturniolo (Argentina), Ricardo Villarmazo (Uruguay), Enrique Castillo (Ecu-



Silvio Takahashi

ador), Jose Edwin Natusch Melgar (Bolivia).

The work plan, distributed to members of the TWG on January 20 this year included the completion of two telephone discussions between members of the group, being the first to introduce the basics of the new revenue recognition standard, held on 6 February, and the second, after consideration of the draft statement by the members, for discussion of the comments offered by Glenif, on February 22.

"The representatives from each country had intense discussions with regulatory agencies, accounting trade associations and other market agents from their countries, and the comment letter sent by Glenif to the IASB and the Financial Accounting Standards Board (FASB) summarizes the opinion of many professionals, not only from the accounting sector, but also from public companies and regulators in each country," says Takahashi.

The coordinator of TWG 5 recalls that during the preparation of comments letter, there were

some differing opinions on the issues raised. These differences were brought to the Glenif's board, which accepted the position that gathered the most votes of member countries. "I can say that the differences represented specific situations, and, in general, the comments were written by consensus," says Takahashi.

The comment letter was submitted for approval to the Glenif board on March 8 and sent to the IASB and FASB afterwards.

According to the coordinator, two major points gave rise to disagreement by Glenif regarding proposed changes in the criteria for revenue recognition of the IASB/FASB. "The first concerns the criteria for revenue recognition over time. Glenif believes the current text of the revised standard may create room for various interpretations and therefore the suggestion sent in the comment letter was that the actual text in the IASB's basis for conclusion would be incorporated into the statement; additionally suggestions have been made for further changes to the text in paragraphs 35 and 36 of the draft standard, in order to make it clearer to the reader," he explains.

Also according to Takahashi, "the second relevant point of disagreement by Glenif refers to the onerous contracts test proposed in paragraph 86 of the draft statement. Glenif believes that this test should be done at each level of the sales contract, and not at each performance obligation contained in contracts, as proposed by the revised standard. This difference in the test can result in loss recognition, which, from the group's point of view, would not reflect the nature of the business enti-

ties in the results reported in the financial statements. "

TWG 6 - Transition Guide

In order to form a Technical Working Group to address the Transition Guide issue - Proposed Amendment to IFRS 10, the Glenif board approved the creation of TWG 6 on March 8, during the Glenif meeting held at Mexico City.

This group featured the work of Hugo Gubba (coordinator - Uruguay), Gladys Margarita Solar Feijóo (Ecuador), Remy Ángel Terceros Fernández (Bolivia), Rafael Rodríguez Ramos (Venezuela) and Luis Alonso Colmenares Rodríguez (Colombia).

The contributions made by the countries were compared and discussed by the Group. From the consensus reached between the views, the TWG 6 drafted the responses, based on unanimity, to the two drafts under discussion.

The comment letter that was sent to the IASB on March 21, stated, among other information, that "all countries represented herein agreed with the proposed changes, including a clarification that 'the date of initial application' should be understood as the beginning of



Hugo Gubba

the annual reporting period in which IFRS 10 is applied for the first time.”

The document sent to the IASB also contains the following: “all countries represented herein

agreed with the proposed amendments to paragraph C3 to clarify that only when the consolidation or deconsolidation of the conclusions are different under IFRS 10, when compared with IAS 27/

SIC 12, investors shall adjust the comparative figures (...). This treatment reduces the burden of adjusting comparative figures, avoiding unnecessary costs of transition to a new standard.”



Regional groups from Europe, Asia-Oceania and Africa

Glenif, established in June 2011, is the youngest of the four regional groups that collaborate with IASB. Just a month earlier, in May, the Pan African Federation of Accountants (PAFA) was constituted. Europe is represented by the European Financial Reporting Advisory Group (EFRAG), created in 2001, and the continents Asia and Oceania have the Asian-Oceania Standard-Setters Group (AOSSG), which began work in 2009.

The other regional groups that work with the IASB on the mission to deliver high quality global standards are presented below.

European Financial Reporting Advisory Group (Efrag)

The European Financial Reporting Advisory Group was created in 2001 to support technically the European Commission for the adoption of standards issued by the International Accounting Standards Board. The current chairman of EFRAG, Françoise Flores, granted an interview to

RBC about the performance of the group:

RBC – Currently, in which stages are the International Financial Report Standards (IFRS) adopted by the European countries?

Françoise Flores – As you possibly know, the European Union decided in 2002 to require application of IFRS in the consolidated financial statements of all listed companies as of 2005. In addition, an option was granted to Member States to either mandate, permit or prohibit the adoption of IFRS to statutory accounts of all companies including the consolidated financial statements of non-listed entities. Decisions made at Member State level are rather diverse, and individual country details can be found on the European Commission website.

The policy is to adopt IFRS without any changes, after an endorsement process brings IFRS into European law. As of today, IFRS as adopted in Europe are identical to IFRS as published by the IASB, with the

exception of a “carve-out” to IAS 39, as the macro-hedging requirements in IAS 39 proved controversial. Endorsement of IFRS 9 is pending its completion and is due to be considered when all phases are complete.

All listed companies have been reporting their consolidated financial statements in compliance with IFRS as adopted in Europe for the last seven years (i.e. in compliance with IFRS except for some 20 listed banks who apply the carve-out option). The total number of listed companies approximates 7000.

The European Commission commissioned two reports on the basis of 2005 and 2006 consolidated financial statements to assess the quality in the implementation of standards after the transition took place in 2005. The assessment was positive and it is common knowledge that the adoption of IFRS has increased the quality and transparency of financial reporting in Europe.

After the IFRS for SMEs was published in 2009, the European

Commission undertook a public consultation to consider the possible adoption of IFRS for SMEs. In their responses, Member States appear divided and the European Commission decided not to consider the IFRS for SMEs further. Instead it undertook a revision of the so-called “Accounting Directives” which serve as a common framework to national GAAP in Europe.

RBC – What is your evaluation on EFRAG’s participation in IFRS preparation process?

Françoise Flores – EFRAG is very active in the IFRS preparation process. EFRAG’s role is to ensure that IFRS as published by the IASB are assessed as bringing improved financial reporting and therefore are welcome for endorsement. While EFRAG is a regional group in which National Standard Setters in Europe are active, EFRAG has its own independent Board (the EFRAG Technical Expert Group (TEG)) which is responsible for deciding technical positions on behalf of EFRAG on all financial reporting subjects. EFRAG determines its positions after an extensive due process, starting with a draft comment letter being issued on all IASB proposals shortly after a discussion paper or an exposure-draft is published for comments.

In the last two years, EFRAG has taken the initiative in cooperation with National Standard Setters in Europe and

the IASB to organise outreach events and field tests, so as to develop a joint due process. The aim of such a joint due process is to increase transparency (without breaching confidentiality), avoid the duplication of effort, and even more importantly ensure that all standard setting bodies involved gather the same input at the same time from the same stakeholders. EFRAG publishes feedback statements to share with all involved lessons learnt from the various undertakings. We expect, and promote, that similar processes be put in place for post-implementation reviews.

Notwithstanding its active participation in the IASB due process, EFRAG believes that its best contribution to the development of IFRS is by undertaking “proactive projects”, i.e. projects aiming at promoting improvement in financial reporting identified as in need for such improvement. This upstream work is meant to be closely coordinated with the IASB, as part of its research efforts. The benefits of those projects is also to stimulate early thought leadership in Europe on accounting issues that are expected to come to the IASB agenda in the short- to medium-term. EFRAG undertakes those projects in cooperation with National Standard Setters in Europe. Recent examples include the work carried out by EFRAG and the UK ASB on the “Considering the effects of accounting

standards” which has attracted wide interest globally and the IFRS Foundation has encouraged the IASB to consider and further develop the proposals. Another example is the “Disclosure Framework” project developed together by EFRAG, the ANC and the UK ASB in cooperation with FASB that is expected to result in a soon-to be announced active project on the IASB’s agenda. EFRAG and its partners the UK ASB and OIC have also released for comments two discussion papers on, respectively, the “Improving the Financial Reporting of Income Tax” and “Accounting for Business Combinations under Common Control”. This latter project ranks quite high in the results the IASB has published of its agenda consultation.

In all of its activities, EFRAG enjoys a positive and constructive relationship with the IASB that



Françoise Flores

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benefits the overall standard setting process.

RBC – What is your evaluation about the establishment of GLASS and the importance of the Latin American group for developing high quality accounting standards?

Françoise Flores – EFRAG welcomed the establishment of GLASS last year. EFRAG believes that regional groups have an important role to play in the due process of the IASB, in addition to, and to reinforce, the important role of National Standard Setters. The IASB being a global standard setter, it is important that IFRS are developed to fit the needs of various jurisdictions. While specificities remain at national level, common features appear at regional level. Outside of Europe where the region is not itself a jurisdiction and has no formal role in the adoption of IFRS), groupings of National Standard Setters can be very relevant as a voice in the IFRS community. EFRAG believes that it is important to understand the specific needs, constraints, characteristics of other regions, so as to participate in the development of IFRS from a better informed perspective. The time has come to see the IASB evolve from the past model of bilateral relationships to having a wider forum of discussions to support the ongoing development of IFRS. GLASS, together with EFRAG, FASB, AOSSG and PAFA, should participate in such a forum.

RBC – Which experiences could the EFRAG relay to GLASS concerning adoption of the IFRS standards?

Françoise Flores – EFRAG is open to developing a working relationship with GLASS to share views

and experience in all aspects of adopting IFRS. There is a lot to learn and understand from one another in pursuing improvements to financial reporting.

Asian-Oceania Standard-Setters Group (AOSSG)

Founded in 2009, currently AOSSG comprises accounting standard-setters institutions from 25 countries. A key objective of the Group is to promote the adoption and convergence with the IFRS standards by the jurisdictions present in the member countries. The president of the Australian Accounting Standards Board, Kevin Stevenson, is the current president of the Asian-Oceania Standard-Setters Group (AOSSG). Below, he talks about the Group:

RBC – What is your evaluation on AOSSG’s participation in IFRS preparation process?

Kevin Stevenson – About the process for developing new requirements under IFRS, AOSSG has an intense involvement with



Kevin Stevenson

Publicity

the IASB and its staff, through AOSSG working groups and with the group as a whole. The IASB has been very generous in making itself available for AOS- SG meetings and discussions. Typically we have had 4 or 5 Board members and 3 to 4 senior staff members present at our conferences. The style of those conferences involves extended and direct discussions between AOSSG and IASB representatives, concentrated on the more contentious issues. AOSSG has commented on every public document (and has lodged supplementary submissions on the ramifications of each exposure draft for Islamic finance (one of the Group’s specialties)).

RBC – What is your evaluation about the establishment of GLASS and the importance of the Latin American group for developing high quality accounting Standards?

Kevin Stevenson – We have met with members of GLASS regularly through the International Forum of Accounting Standard-setters (IFASS) and shared our experiences with them. We were very pleased to see GLASS formed and would hope to continue relations with the group going forward. Both groups have the same motivations – to promote the adoption of IFRS and to make sure our regions are heavily involved in the development of IFRS. Both groups have been concerned that IFRS developments have seemed somewhat US/Europe centric and yet both regions have a significant number of countries heading to, or on, IFRS. And the capital markets of the two regions are very large by world standards.

RBC – Which experiences could the AOSSG relay to GLASS con-

cerning adoption of the IFRS Standards?

Kevin Stevenson – We think GLASS is very knowledgeable about the matters to be dealt with, so AOSSG would be reluctant to offer gratuitous advice. I would observe that the key features of AOSSG making quickly productive have been the shared culture of standard-setting and a respect for alternative views. We do not try to come to a single answer on topics in which diverse views are held. We have told the IASB that we will reflect such diversity in our submissions and the IASB has said that is what they too want. Individual members make their own submissions as well as participating in the regional submissions. Our focus is on developing IFRS and not on lobbying or political matters. We have no wish to replicate what we see in the northern hemisphere. We think an ethical standard-setters approach will make our views distinctive.

PanAfrican Federation of Accountants (Pafa)

The PanAfrican Federation of Accountants (PAFA) was founded in Dakar, Senegal, on May 5, 2011, in order to accelerate the development of the profession in Africa and strengthen the voice of the accounting profession on the continent and the world.

The first president of PAFA, elected at the inaugural meeting in Dakar, is Major General Sebastian Achulike Owuama, also president

of the Institute of Chartered Accountants of Nigeria and the Association of Accountancy Bodies in West Africa. The Federation is composed of 37 professional accounting organizations from 34 countries.

RBC – Currently, in which stages are the International Finance Report Standards (IFRS) adopted by the Africa countries?

Sebastian A. Owuama – The PAFA General Assembly at its meeting held in Tunis, Tunisia passed a resolution to have all its members adopt international standards, which include IFRSs. We recognize as PAFA at this is a statement of intent as actual adoption of standards is a prerogative of national institutions as enshrined in the laws of various states.

The stage of adoption of International Financial Reporting Standards vary from country to country.

RBC – What is your evaluation on PAFAs participation in IFRS preparation process?

Sebastian A. Owuama – As you may be aware, PAFA was launched in May 2012. Since its launch PAFA has engaged the International Accounting Standards Board (IASB) with a view to



enhancing Africa's participation in the preparation of IFRSs. The present level of Africa's participation is very low.

RBC – What is your evaluation about the establishment of GLASS and the importance of the Latin American group for developing high quality accounting Standards?

Sebastian A. Owuama – Any organization that seeks to strengthen the voice of the profession in any region of the world is very welcome. We consider GLASS as one such organizations.

RBC – Which experiences could the PAFA relay to GLASS concerning adoption of the IFRS Standards?

Sebastian A. Owuama – As PAFA we believe that GLASS should not get distracted by the challenges that they will face in fulfilling their mission. GLASS must focus on its objective and seek to achieve it in spite of the challenges.