

Denise Silva Ferreira Juvenal

rio1042370@terra.com.br

Accountant

Individual Commentary

Rio de Janeiro / Brazil

EFRAG Supervisory Board

Technical Director

European Financial Reporting Advisory Group – EFRAG

commentletters@efrag.org

EFRAG

35 Square de Meeûs

B-1000 Brussels

Belgium

Technical Director

International Accounting Standards Board – IASB

IFRS Foundation Publications Department.

1st Floor, 30 Cannon Street, London EC4M 6XH, United Kingdom.

Tel: +44 (0)20 7332 2730 Fax: +44 (0)20 7332 2749

Email: publications@ifrs.org Web: www.ifrs.org

Exposure Draft Conceptual Framework for Financial Reporting

05 December 2015

I am Denise Juvenal this is pleased to have the opportunity to comment on this consultation for Exposure Draft Conceptual Framework for Financial Reporting of the European Financial Reporting Advisory Group - EFRAG. This is my individual commentary for the EFRAG. I attached my comments that I sent by International Accounting Standards Board – IASB for this discussion, as follows:

Guide for respondents:

Question 1—Proposed changes to Chapters 1 and 2

Do you support the proposals:

- (a) to give more prominence, within the objective of financial reporting, to the importance of providing information needed to assess management’s stewardship of the entity’s resources;**
- (b) to reintroduce an explicit reference to the notion of prudence (described as caution when making judgements under conditions of uncertainty) and to state that prudence is important in achieving neutrality;**
- (c) to state explicitly that a faithful representation represents the substance of an economic phenomenon instead of merely representing its legal form;**
- (d) to clarify that measurement uncertainty is one factor that can make financial information less relevant, and that there is a trade-off between the level of measurement uncertainty and other factors that make information relevant; and**
- (e) to continue to identify relevance and faithful representation as the two fundamental qualitative characteristics of useful financial information?**

Why or why not?

Yes, I agree with proposed changes to Chapters 1 and 2, I support the proposals a – e, however I understand that in this moment is very important the Board’s observes these points, as IOSCO elaborated in the November 2015 about: “IOSCO reports on Transparency of Firms that Audit Public Companies¹ and Implementation monitoring of the PFMI: Assessment and review of application of Responsibilities for authorities², because are fundamental for measurement and prudence, if the Board’s agrees.

Question 2 – Description and boundary of a reporting entity

Do you agree with:

- (a) the proposed description of a reporting entity in paragraphs 3.11–3.12; and**
- (b) the discussion of the boundary of a reporting entity in paragraphs 3.13–3.25?**

Why or why not?

Yes, I agree with the letter “a” proposed description of a reporting entity in paragraphs 3.11 – 3.12 and with letter “b” the discussion of the boundary of a reporting entity in paragraphs 3.13 – 3.25, in relation the description and boundary of a reporting entity.

Question 3—Definitions of elements

Do you agree with the proposed definitions of elements (excluding issues relating to the distinction between liabilities and equity):

¹ <http://www.iosco.org/news/pdf/IOSCONEWS404.pdf>

² <http://www.iosco.org/news/pdf/IOSCONEWS407.pdf>

- (a) an asset, and the related definition of an economic resource;**
- (b) a liability;**
- (c) equity;**
- (d) income; and**
- (e) expenses?**

Why or why not? If you disagree with the proposed definitions, what alternative definitions do you suggest and why?

I agree with the proposed definitions of elements (excluding issues relating to the distinction between liabilities and equity in relation an asset, a liability, a equity, a income and expenses.

Question 4—Present obligation

Do you agree with the proposed description of a present obligation and the proposed guidance to support that description? Why or why not?

Yes, I agree with the proposed description of a present obligation and the proposed guidance to support that description.

Question 5—Other guidance on the elements

Do you have any comments on the proposed guidance?

Do you believe that additional guidance is needed? If so, please specify what that guidance should include.

I suggest for the Board's, if agrees, that considering the importance of material evidence in the financial statements including the responsibility of auditor (external or internal), this point is important for organizations and regulators to develop better transparency, high quality, materiality and evidence of information, public and private sectors, in the Financial Statements, contact the International Federation on Accountants – IFAC and European Financial Reporting Standards Board – EFRAG.

Question 6—Recognition criteria

Do you agree with the proposed approach to recognition? Why or why not? If you do not agree, what changes do you suggest and why?

Yes, I agree with the proposed approach to recognition.

Question 7—Derecognition

Do you agree with the proposed discussion of derecognition? Why or why not? If you do not agree, what changes do you suggest and why?

Yes, I agree with the proposed discussion of derecognition.

Question 8—Measurement bases

Has the IASB:

(a) correctly identified the measurement bases that should be described in the Conceptual Framework? If not, which measurement bases would you include and why?

Yes, the IASB has correctly identified the measurement bases that should be described in the Conceptual Framework.

(b) properly described the information provided by each of the measurement bases, and their advantages and disadvantages? If not, how would you describe the information provided by each measurement basis, and its advantages and disadvantages?

Yes, the IASB properly described the information provided by each of the measurement bases, and their advantages and disadvantages.

Although, in this case, for both letters of this question, I suggest the Board's if agrees, contact by region, the mechanisms and structure of taxation or others matters about measurement that government can determine as Regulator in each country.

Question 9—Factors to consider when selecting a measurement basis

Has the IASB correctly identified the factors to consider when selecting a measurement basis? If not, what factors would you consider and why?

Yes, The IASB correctly identified the factors to consider when selecting a measurement basis. However, The IASB observes question 8, if agrees, contact by region, the mechanisms and structure of taxation or others matters about measurement that government can determine as Regulator in each country.

Question 10—More than one relevant measurement basis

Do you agree with the approach discussed in paragraphs 6.74–6.77 and BC6.68? Why or why not?

Yes, I agree with the approach discussed in paragraphs 6.74 – 6.77 and BC 6.68.

Question 11—Objective and scope of financial statements and communication

Do you have any comments on the discussion of the objective and scope of financial statements, and on the use of presentation and disclosure as communication tools?

No. I do not have any comments on the discussion of the objective and scope of financial statements, and on the use of presentation and disclosure as communication tools.

Question 12—Description of the statement of profit or loss

Do you support the proposed description of the statement of profit or loss? Why or why not? If you think that the Conceptual Framework should provide a definition of profit or loss, please explain why it is necessary and provide your suggestion for that definition.

Yes, I support the proposed description of the statement of profit or loss.

Question 13—Reporting items of income or expenses in other comprehensive income.

Do you agree with the proposals on the use of other comprehensive income? Do you think that they provide useful guidance to the IASB for future decisions about the use of other comprehensive income? Why or why not? If you disagree, what alternative do you suggest and why?

Yes, I agree with the proposals on the use of other comprehensive income. I think that they provide useful guidance to the IASB for future decisions about the use of other comprehensive income.

Question 14—Recycling

Do you agree that the Conceptual Framework should include the rebuttable presumption described above? Why or why not? If you disagree, what do you propose instead and why?

Yes, I agree that the Conceptual Framework should include the rebuttable presumption described above.

Question 15—Effects of the proposed changes to the Conceptual Framework

Do you agree with the analysis in paragraphs BCE.1–BCE.31? Should the IASB consider any other effects of the proposals in the Exposure Draft?

Yes, I agree with the analysis in paragraphs BCE.1 – BCE.31. The IASB should consider any other effects of the proposals in the Exposure Draft, that do not impact of objective of the conceptual and functionality of Conceptual Framework.

Question 16—Business activities

Do you agree with the proposed approach to business activities? Why or why not?

Yes, I agree with the proposed approach to business activities.

Question 17—Long-term investment

Do you agree with the IASB's conclusions on long-term investment? Why or why not?

Yes, I agree with the IASB's conclusions on long-term investment.

Question 18—Other comments

Do you have comments on any other aspect of the Exposure Draft? Please indicate the specific paragraphs or group of paragraphs to which your comments relate (if applicable).

As previously noted, the IASB is not requesting comments on all parts of Chapters 1 and 2, on how to distinguish liabilities from equity claims (see Chapter 4) or on Chapter 8.

I suggest for the IASB observes mechanisms and structure of taxation or others matters about measurement that government can determine as Regulator in each country by region around the world that can impact the principal objective of Conceptual Framework and Financial Statements for private and public sectors.

Thank you for opportunity for comments this proposal, if you have questions do not hesitate contact to me, rio1042370@terra.com.br.

Yours,

Denise Silva Ferreira Juvenal

rio1042370@terra.com.br

5521993493961

Guide for respondents by EFRAG:

Question 1 – Proposed changes to Chapters 1 and 2 Do you support the proposals:

(a) to give more prominence, within the objective of financial reporting, to the importance of providing information needed to assess management's stewardship of the entity's resources;

(b) to reintroduce an explicit reference to the notion of prudence (described as caution when making judgements under conditions of uncertainty) and to state that prudence is important in achieving neutrality;

(c) to state explicitly that a faithful representation represents the substance of an economic phenomenon instead of merely representing its legal form;

(d) to clarify that measurement uncertainty is one factor that can make financial information less relevant, and that there is a trade-off between the level of measurement uncertainty and other factors that make information relevant; and

(e) to continue to identify relevance and faithful representation as the two fundamental qualitative characteristics of useful financial information? Why or why not?

Question to constituents Throughout the ED, ‘users’ refers to those existing and potential investors, lenders and other creditors who must rely on general purpose financial reports for much of the financial information they need.

Do you agree with focusing on this group of users? If not please indicate how it should be either narrowed down or widened, and why.

Question to constituents EFRAG’s preliminary answer to Question 1(d) includes arguments for using the term ‘reliability’ instead of ‘faithful representation’. EFRAG would, however, wish to assess whether constituents have become used to the term ‘faithful representation’ introduced in 2010, have a good understanding of it, and therefore would prefer not to revert to ‘reliability’. What is your assessment of this?

Question 2 – Description and boundary of a reporting entity Do you agree with:

- (a) the proposed description of a reporting entity in paragraphs 3.11–3.12 of the ED (replicated in paragraph 50(a) – (b) above); and (b) the discussion of the boundary of a reporting entity in paragraphs 3.13–3.25 of the ED (summarised in paragraph 50(c) – (e) above)? Why or why not?**

Question to constituents Do you agree that there is no urgent need to justify the choice of control as the basis for consolidation from a conceptual perspective? If no, please explain what EFRAG should recommend to the IASB.

Question 3 – Definitions of elements Do you agree with the proposed definitions of elements (excluding issues relating to the distinction between liabilities and equity):

- (a) an asset, and the related definition of an economic resource; (b) a liability; (c) equity; (d) income; and (e) expenses? Why or why not? If you disagree with the proposed definitions, what alternative definitions do you suggest and why?**

Question to constituents Do you agree with the view that the asset liability approach leads to more robust and consistent financial reporting than a pure matching approach? (Why/why not?)

Question 4 – Present obligation Do you agree with the proposed description of a present obligation and the proposed guidance to support that description? Why or why not?

Question to constituents Although the change proposed appears appealing, EFRAG notes that it could have farreaching consequences that need to be assessed. EFRAG will therefore during the comment period collect input on the proposed definitions.

Please provide input on this issue.

Question 5 – Other guidance on the elements Do you have any comments on the proposed guidance? Do you believe that additional guidance is needed? If so, please specify what that guidance should include.

Question 6 – Recognition criteria Do you agree with the proposed approach to recognition? Why or why not? If you do not agree, what changes do you suggest and why?

Question 7 – Derecognition Do you agree with the proposed discussion of derecognition? Why or why not? If you do not agree, what changes do you suggest and why?

Question 8 – Measurement bases Has the IASB:

(a) correctly identified the measurement bases that should be described in the Conceptual Framework? If not, which measurement bases would you include and why?

(b) properly described the information provided by each of the measurement bases, and their advantages and disadvantages? If not, how would you describe the information provided by each measurement basis, and its advantages and disadvantages?

Question 9 – Factors to consider when selecting a measurement basis Has the IASB correctly identified the factors to consider when selecting a measurement basis? If not, what factors would you consider and why?

Question to constituents The ED includes different factors to consider when selecting a measurement basis. For example, the ED mentions in paragraph 6.54 that to produce relevant information it is important to consider both how an asset or liability contributes to future cash flows and the characteristics of the asset or the liability. Sometimes these factors could conflict and different conclusions could thus be reached by giving priority to some factors rather than to others. In the paper Profit or loss versus OCI prepared for the July 2015 ASAF meeting, EFRAG examines an approach where the business model will be used when selecting a measurement basis and thus when selecting among different factors.

What aspects do you think should help the IASB select a measurement basis when the factors listed in the ED would conflict? Do you think that some factors are more important than others?

Question 10 – More than one relevant measurement basis Do you agree with the approach discussed in paragraphs 6.74–6.77 and BC6.68? Why or why not?

Question to constituents Do you support the use of different measurement bases for the statement of financial position and the statement of profit or loss? If so, when do you think it would be appropriate?

Question 11 – Objective and scope of financial statements and communication Do you have any comments on the discussion of the objective and scope of financial statements, and on the use of presentation and disclosure as communication tools?

Question 12 – Description of the statement of profit or loss Do you support the proposed description of the statement of profit or loss? Why or why not?

If you think that the Conceptual Framework should provide a definition of profit or loss, please explain why it is necessary and provide your suggestion for that definition.

Question to constituents The alternative view of Stephen Cooper and Patrick Finnegan presented in paragraphs AV2 – AV7 of the Basis for Conclusions accompanying the ED, notes that identifying the statement of profit or loss as the primary source of information about financial performance, but without actually defining financial performance or specifying the characteristics of income and expenses that require their presentation in OCI, will leave the IASB in effectively the same position that it is now. In addition, the approach to recycling provides little guidance, because there are no specific reasons presented that would rebut the presumption that recycling takes place (other than the reference to relevance). Mr Cooper and Mr Finnegan think that the conceptual foundation for performance reporting should be based on principles of separate presentation of income and expenses with different characteristics, including, for example, different degrees of persistence and different predictive values, and principles of disaggregation or splitting of items of income and expenses to highlight components that have different characteristics. In general, such disaggregation should be done within profit or loss, either on the face of the statement or in the notes. However, Mr Cooper and Mr Finnegan acknowledge that there may be some circumstances in which disaggregation may be best done by recognising some components of income and expenses in OCI and not in profit or loss. Nevertheless, they believe that the Conceptual Framework should restrict the use of this approach (unless the IASB chooses to depart from the Conceptual Framework) more than the Exposure Draft proposes. What is your opinion about this alternative view?

Question 13 – Reporting items of income or expenses in other comprehensive income Do you agree with the proposals on the use of other comprehensive income? Do

you think that they provide useful guidance to the IASB for future decisions about the use of other comprehensive income? Why or why not?

If you disagree, what alternative do you suggest and why?

Question to constituents The alternative view of Stephen Cooper and Patrick Finnegan presented in paragraphs AV2 – AV7 of the Basis for Conclusions accompanying the ED, notes that amounts could be recognised outside profit or loss, but only if doing so enhances the relevance of the information in the statement of profit or loss in that reporting period. Moreover, they think that this must also hold true for all other periods that may be affected, including periods covered by any potential recycling, and also in aggregate over several periods, including the life of the transaction concerned. To achieve this, the basis of disaggregation should result in a net zero accumulated amount in OCI over the life of a transaction or in aggregate over the life of economically linked transactions. If the cumulative amount in OCI is not zero, then the relevance of the information in the statement of profit or loss is reduced on a cumulative basis, because some items of income and expenses would be entirely omitted from the statement of profit or loss and so the depiction of financial performance in that statement would not be complete. They also believe that the principle they outline would obviate the need to consider explicit reclassification of OCI items (because the disaggregation should naturally result in zero cumulative OCI over the life of the relevant transactions) and would therefore remove a source of complexity and confusion for users of financial statements. Mr Cooper and Mr Finnegan consider that this principle would, in effect, restrict the use of OCI to a limited number of cases in which either (1) a different measurement basis (which, as noted in paragraph BC7.49, should be a meaningful measure and not just an accumulation of amounts recognised in the statement of profit or loss) is judged appropriate for measuring income and expenses in profit or loss, compared with that best suited to the measurement of the asset or the liability in the statement of financial position; or (2) there is a mismatch in the recognition basis for different but economically related transactions. The Discussion Paper A Review of the Conceptual Framework for Financial Reporting presented three concepts to be used when considering whether an item could be reported in OCI. The three items were ‘bridging items’; ‘mismatched remeasurements’ and ‘transitory remeasurements’. Mr. Cooper and Mr Finnegan thus supports two of the three situations for use of OCI envisaged in the Discussion Paper. Mr Cooper and Mr Finnegan believe that further work to develop a conceptual basis for OCI should have built on these. What is your opinion about this alternative view?

Do you think the discussion about the three concepts from the Discussion Paper (‘bridging items’; ‘mismatched remeasurements’ and ‘transitory remeasurements’) should be included in the Conceptual Framework?

Question 14 – Recycling Do you agree that the Conceptual Framework should include the rebuttable presumption described above? Why or why not?

If you disagree, what do you propose instead and why?

Question to constituents The IASB has carried forward the material in the chapter on capital maintenance unchanged from the existing Conceptual Framework, except for a limited number of editorial changes. The Discussion Paper A Review of the Conceptual Framework for Financial Reporting preceding the ED noted that the IASB does not plan to consider the chapter on capital maintenance until such time as a new or revised Standard on accounting for high inflation indicates a need for change. EFRAG notes that an argument for removing the chapter until the issue can be further considered could be that the chapter is not well linked with other parts of the proposed new Conceptual Framework (e.g. it is not linked with the objective of general purpose financial reporting including the role of stewardship). Do you think the existing chapter on capital maintenance should be kept in the Conceptual Framework?

Question 15 - Effects of the proposed changes to the Conceptual Framework Do you agree with the analysis in paragraphs BCE.1–BCE.31 of the ED (summarised in paragraphs 178 - 181 above)? Should the IASB consider any other effects of the proposals in the Exposure Draft?

Question to constituents Do you agree with the status of the Conceptual Framework (see paragraphs 178 - 179 above) and that the review should not automatically result in any changes to Standards?

Question 16 – Business activities Do you agree with the proposed approach to business activities? Why or why not?

Question 17 – Long-term investment Do you agree with the IASB’s conclusions on long-term investment? Why or why not?

Question to constituents Do you agree that: The ED provides sufficient guidance on how to reflect long-term investment business models; The ED contains sufficient and appropriate discussion of primary users and their information needs, and the objective of general purpose financial reporting, to address appropriately the needs of long-term investors?

Question to constituents Are there any of the discussions, ideas and reflections included in the Discussion Paper A Review of the Conceptual Framework for Financial

Reporting (issued by the IASB in July 2013), that are not reflected in the ED, you think should be included in the Conceptual Framework?