

EXPOSURE DRAFT (79)

NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

The Technical Director

International Public Sector Accounting Standards Board (IPSASB)

International Federation of Accountants

277 Wellington Street West, 6th floor

Toronto, Ontario M5V 3H2 CANADA

Brasília, Brazil

October 25, 2021

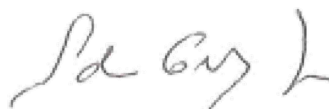
Dear Mr. Ross Smith,

The Conselho Federal de Contabilidade (CFC) of Brazil welcomes the opportunity to collaborate with the consultation on Exposure Draft 79 - NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS. CFC, along with its regional arms - Regional Accounting Councils or Conselhos Regionais da Contabilidade (CRCs), is the Professional Accountancy Organization that carries out regulatory activities for overseeing the accountancy profession throughout the country.

Our points of view and comments can be found on the Appendix of this document that was prepared by the Advisory Board for Public Sector Accounting Standards (GA/NBC TSP) of the CFC. From November 1st 2021, the GA/NBC TSP will be replaced by the Permanent Committee for Public Sector Accounting Standards (CP CASP) representing an institutional strengthening of the Public Sector Standards setting process in Brazil.

If you have any questions or require clarification of any matters in this submission, please contact: tecnica@cfc.org.br.

Regards,



Idésio S. Coelho
Technical Vice-President
Conselho Federal de Contabilidade

APPENDIX

1. Context and General Comments

The Brazilian Federation is composed by central, 26 states, the Federal District and more than 5,500 municipalities. These levels of governments are responsible for formulating, implementing and evaluating public policies in cooperative and/or competitive arrangements.

In this document, we present the contributions for the Exposure Draft based on a practical approach applicable to our jurisdiction.

In general, we believe that most of the IPSASB propositions of the Measurement project are appropriated, however, there are some improvements proposed in this document. In the next section, we present our answers for the specific matters for comment of the Exposure Draft.

2. Responses to the Specific Matters for Comment and Preliminary Views

2.1 Specific Matter for Comment 1:

The IPSASB decided that there was no public sector specific reason to depart from the measurement requirements of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. However, the IPSASB considers that, where materially different, disclosures of the fair value of non-current assets classified as held for sale measured at a lower carrying amount would provide useful information to users of financial statements for accountability purposes.

The additional proposed disclosure is shown at paragraph 52 of this ED.

Do you agree with this disclosure proposal? If not, why not?

The CP CASP **only agrees** with the IPSASB's proposal that the fair value of non-current assets classified as held for sale should be disclosed when it materially differs from their carrying amount when such amount is based on the historical cost.

However, it is not clear if when the assets held for its service potential measured based on the current operational value is reclassified to Non-current Assets Held for Sale, the current value shall be modified to fair value. If this is not case, the asset will be continued to be measured based on a basis that do not represent an exit value in the market's participants perspective that does not seem to be aligned with EDs 76, 77 and 78.

2.2 Other Comments

The CP CASP **agrees** that there are no reasons for the public sector standard to depart from the measurement requirements of the equivalent private sector standard - IFRS 5, agreeing with the proposed measurement criteria and the disclosure of the fair value, when it is materially different from the carrying amount.

However, we noted that throughout the ED, there are mention of cash-generating units or a group of cash-generating units while assets were being held for use, for example, in item 40 of the ED. Such mentions make total sense for the private sector, considering that assets are used/maintained to generate cash. In the public sector, however, a large portion of the assets are held for their service potential and, therefore, we suggest that such characteristic should be addressed in the final version of the standard.

One of the issues to note is whether assets held for their service potential when available for sale can be consider cash-generating units. For example, a government may use a building and equipment to provide education services free of charge, and so the assets, building and equipment are considered individually not creating a cash-generating unit. However, upon a decision to sell, the assets can be sold together for their perceived potential cash-generating by market participants. The standard is silent on whether assets that are initially not considered to be cash-generating unit items as are held for their service potential should be considered cash-generating units once the decision to sell.