

Rio de Janeiro, January 30, 2012

CONTABILIDADE 0003/2012

Mr Hoogervorst, Chairman International Accounting Standards Board 30 Cannon Street London EC4M 6XH United Kingdom

Subject: Views on Revenue from Contracts with Customers

Reference: Exposure Draft ED/2011/6

Dear Sir,

Petróleo Brasileiro S.A. - Petrobras welcomes the opportunity to comment on the Exposure Draft named *Revenue from Contracts with Customers*. We believe this is an important opportunity for all parties interested in the future of IFRS and we hope to contribute to the progress of the Board's activities.

We are a publicly traded corporation, the majority stockholder of which is the Government of Brazil, and we perform as an energy company in the following sectors: exploration and production, refining, oil and natural gas trade and transportation, petrochemicals, electric energy, biofuels and other renewable energy source distribution. One of the major energy companies in the world, we have a presence in 28 countries and our 2011-2015 business plan foresees investments in the order of US\$224.7 billion (of which US\$127.5 billion will be related to our Exploration & Production activities in Brazil).

In summary, we:

- a) Have several concerns about the approach adopted for applying the notion of control
 to the proposals contained in Exposure Draft, which could ultimately scope out of the
 future standard on revenue recognition a considerable amount of contracts that are
 currently being seen as leases;
- b) Agree with new proposals made by the Board after re-deliberating about the measurement of the transaction price;
- c) Have some conceptual concerns regarding the proposal to constrain cumulative revenue to amounts that are deemed to be reasonably certain;
- d) Disagree with the proposals made by the Board for disclosures about revenue recognition in interim financial statements; and
- e) Welcome the Board's proposal for the accounting for transfers of non financial assets that are not output of an entity's ordinary activities.

Please see also in APPENDIX A our detailed comments on each of the topics described above.

As mentioned before, we hope that our recommendations help the IASB in making the decisions necessary to develop and maintain principles-based standards of high quality. If you have any questions in relation to the content of this letter please do not hesitate to contact us.

Respectfully,

<u>/s/ Marcos Menezes</u> Marcos Menezes Chief Accounting Officer



APPENDIX A - Analysis of the Exposure Draft on Revenue from Contracts with Customers

Control

The Board proposes that revenue should be recognized by an entity when it transfers control of a promised good or service to a customer. We agree with the transfer model and we encourage its application in other fields of accounting. However, we have several concerns about the limitations imposed by the definition of control adopted within the context of revenue recognition.

The Exposure Draft referred to control of a good or service as one's ability to direct the use of and obtain substantially all of the remaining benefits from the related good or service. Control would also comprehend one's ability to prevent others from directing the use of and benefiting from the good or service.

What does "direct the use of" mean? How does the customer obtain the ability to direct the use of a good or service? Why does the customer need to obtain substantially all of the remaining benefits of a good or service? Why preventing others from directing the use of a good or service should be seen as control? These are crucial questions for which we found no answers in the Exposure Draft. Instead, the document lists criteria and indicators that should help the users of the future standard in accessing the transfer of control. We do not agree with such approach.

Our disagreement is based on the perception we have that the approach mentioned above would result in a model that would be: (1) inconsistent with other standards; (2) more difficult to apply; and (3) subject to misapplications.

1. Inconsistency with other standards

In our opinion, the way the notion of control was explored within the context of revenue recognition diverges from the mechanics developed by the Board under the consolidation's project. The recently issued IFRS 10 addresses control in a manner that we found to be extremely sophisticated and capable of being expanded to other types of transactions that require the use of the transfer model. Unfortunately, IFRS 10 was issued after the exposure of the first draft on revenue recognition, which may have impaired the ability of respondents in correlating the two models.

According to IFRS 10 "An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee." Power, in this context, refers to the investor's existing substantive rights that give it the current ability to make the decisions that significantly affect the investee's returns.

We believe that the content reproduced in the preceding paragraph has a considerable merit and could be transported into transactions involving bilateral arrangements such as those covered by the project on revenue recognition. To achieve that, control would have to be more broadly defined as one's ability to make the most relevant decisions about the recovery of a resource. To be this relevant, such decisions must be capable of affecting the majority of the returns provided by the recovery of that same resource. This threshold is important because it makes possible for one to identify the controlling party when decision power is divided between the two parties involved in bilateral arrangements (the supplier and the customer).

The decision power in bilateral arrangements, like in IFRS 10, would have to derive from substantive rights. Since an entity could promise different types of resources that could be recovered by the customer in different ways, we believe it would be appropriate to analyze the types of rights that could be exchanged between the parties involved. By doing so, we have been able to categorize three types of rights: (1) rights of use, which give the holder the ability to make decisions about the use of a resource; (2) rights of ownership, which give the holder the ability to make decisions about the negotiation of a resource; and (3) rights of consumption, which give the

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¹ Includes selling, pledging, exchanging, holding, etc.



holder the ability to make decisions about the consumption (or transformation) of a resource. These rights could be exchanged under certain types of arrangements, as follows:

Table 1 - Rights by nature of arrangement

Nature Rights	Services	Goods to be consumed (ex. Raw material)	Assets/goods under construction/ production	Assets purchased for use (ex. PP&E)	Leased assets
Rights of use				X	X
Rights of ownership		Х	X	X	
Rights of consumption	X	Х			

By splitting the recovery of a resource into three different categories of rights we propose a path that does not involve the transfer of control through the acquisition of a single holistic type of right. We believe that our approach is suitable because when the customer obtains control through only one of the rights presented above, any remaining rights retained by the supplier become non-substantive. We have provided the Staff of the IASB with some examples that demonstrate how this premise should work.

Concerning the transfer of control, this would happen when sufficient rights become substantive or exercisable, which ultimately depends on when the customer is able to make the decisions about the recovery of a resource. For instance, when a customer obtains the legal title over an asset it simultaneously acquires the rights of use and ownership over that asset. If the same asset is made available to the customer and the customer is able to make the decisions about the use of the asset, then control has been transferred from the supplier. If the use is not possible, but the customer can still make the decisions about the negotiation of the asset, then the rights of ownership become substantive and control is transferred from the supplier.

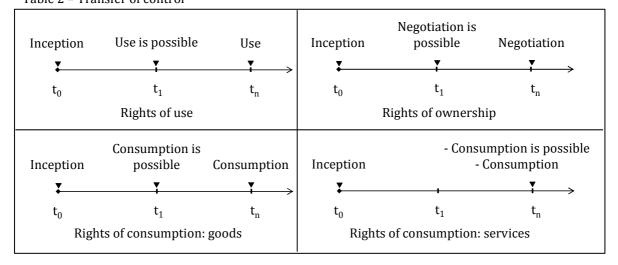
Services differentiate from other transactions due to the transitory nature of these arrangements. This means that the rights of consumption owned by a customer can only become substantive when the service is performed allowing the customer to make the decisions about the consumption of the resource. For instance, when a teacher gives a class, he or she is providing educational services at that moment and only then can the student make decisions about the consumption of the service (such as putting more or less effort), which, ultimately, determines the returns of the recovery of the resource in the form of knowledge retained.

Based on the explanations provided in previous paragraph and aiming a simplification of the model we propose, we would classify some types of arrangements as services in Table 1, even though these arrangements involve the provision of goods to be consumed. An example would relate to energy contracts such as Power Purchase Agreements (PPAs), since it is not possible to store electricity in large quantities.

In the following table we demonstrate the peculiarity of service arrangements when it comes to the timing of three different events: (1) inception of the contract; (2) transfer of control; and (3) recovery of the resource.



Table 2 - Transfer of control



In Topic 3 of this appendix (*misapplications*) we provide an example of a time charter arrangement in which the application of the requirements of IFRS 10 diverge from the results obtained from the application of the most recent tentative decisions made by the Board on leases and revenue recognition.

2. Difficulties in applying the proposals

Having explained our views in the preceding Topic, we would like to address some issues that we identified in the proposals contained in the Exposure Draft.

2.1. Identifying separate performance obligations

According to the Exposure Draft an entity should account for separate performance obligations if the goods and/or services promised under a contract are distinct. In order to access whether a good or service is distinct an entity should evaluate certain criteria presented in the document. Even though we agree that these criteria may reflect in practical terms the existence or not of distinct goods and/or services, we do not recommend this approach.

Instead of using criteria to identify distinct goods and/or services, we believe it would be more appropriate to explain why goods and/or services are distinct. In our view, this would result in a more principle based solution, with easier application. In this sense, we propose that goods and/or services should be understood as being distinct if the rights to recover each resource become substantive independently from each other. This means that the customer should be able to decide about the recovery of an asset (good or service) irrespective the fact that it may not be able to decide about the recovery of another asset.

In Illustrative Example 4 (significant customization of software) the Board concluded that the software license and the customization service would be indistinct from each other because the supplier is "providing a significant service of integrating the goods and services (...) into the combined item for which the customer has contracted" and "the software is significantly customized by the entity in accordance with the specifications negotiated with the customer". We believe that the consulting service and the software are indistinct because the customer can not decide about the consumption of the service before it is able to decide about the use of the software (and vice versa). Hence, the rights of consumption and the rights of use must become substantive simultaneously.

In Illustrative Example 5 (construction) the Board concluded that a bundle of goods and services involved in the design and construction of a hospital should be indistinct because they are highly interrelated, significantly customized and because providing the assets requires a significant integration service. We believe that the bundle of goods and services should be indistinct if the customer can not decide about the recovery of each good or service separately. In this instance, it



appears to us that the example does not provide sufficient information. For example, the customer could have substantive rights of ownership² over a good provided by the supplier and be able to negotiate it without the provision of other goods and services. The construction could also be completed in stages and the customer could have substantive rights of use in each stage.

2.2. Satisfaction of performance obligations

In this part of the Exposure Draft, the Board provides a brief definition of control. As explained before, we recommend an alternative definition of control. Nevertheless, we would still like to criticize some aspects of the definition proposed by the Board.

First, we have some reserves regarding the idea that obtaining substantially all of the remaining benefits from an asset would have to be necessary for a customer to have control over that same asset. Naturally, analyzing the amount of benefits to be obtained by the customer might be necessary to evaluate whether the customer controls the resource. However, we believe this should be done in a different context, by addressing the link between power and returns. IFRS 10 covers this issue in a suitable manner, where it provides guidance for determining whether an investor is a principal or an agent. We also found the principal versus agent considerations of the Exposure Draft to be incomplete when compared to the guidance provided in IFRS 10.

We also have some reserves concerning the statement that control includes the ability to prevent others from directing the use of and obtaining the benefit s from an asset. This ability alone should not be sufficient to constitute control. However, it is a precondition for an entity to have substantive rights which, ultimately, lead to control of an asset. If a customer contracts the availability of a resource without having the ability to direct it, preventing others from accessing the same resource does not constitute control. By doing so, the customer could be attempting to increase the value of other assets already owned by him. In a way, it would be similar to internally generated goodwill.

Since preventing others from accessing a resource is necessary for an entity to have control of that same resource, it becomes extremely important to detail how this prevention takes place: through use, consumption or negotiation. We are concerned that without such detail one may conclude wrongly on what exactly others are being prevented from. For instance, an entity may conclude that it is able to prevent others from directing the use of an asset, when in fact they are prevented from directing the consumption of the output of an asset. We provide an example of this in Topic 3.2 of this appendix.

2.3. Performance obligations satisfied over time

According to the Board's proposals an entity would have to determine whether revenue should be recognized over time based on specific criteria. Instead of using criteria we believe it would be more appropriate to clarify that performance obligations are satisfied over time when the rights obtained by the customer become substantive continuously or cumulatively. Among the arrangements presented in Table 1, two of them would involve rights of such nature: services and assets/goods under construction/production.

In some service arrangements,³ the rights of consumption obtained become substantive continuously as the service is rendered by the supplier and consumed by the customer. These rights are transitory by nature since the decision power is available to the customer only upon consumption. Ultimately, the criterion provided by the Board in paragraph 35b.i of the Exposure Draft addresses this type of situation.

In construction/production contracts, the customer may have rights of ownership substantive enough to permit the negotiation of the asset/good regardless of the stage of completion. In this case, the customer has substantive rights of ownership to the current fraction of the asset/product and any new addition of assets made by the supplier represents additional rights to the customer. This is why we believe these ownership rights become substantive cumulatively and we noticed

² As defined by us in Topic 1 of this appendix.

³ As defined by us in the last three paragraphs of Topic 1 of this appendix.



that paragraphs 35a, 35b and 35b.ii provide some criteria for this situation. These criteria, however, do not address the problem appropriately. For example, in Illustrative Example 7 (determining whether an asset has an alternative use to an entity) the Board mentioned that the apartment would not have an alternative use to the entity because the contract has terms that preclude the entity from directing the unit to another customer. This is just a consequence of something more important and mentioned in the same example: the fact that the customer can sell his or her interest in the partially completed unit.

In the following table we correlate some of the criteria listed in paragraph 35 with the rights that we described in this Topic of our letter:

Table 3 – Criteria of performance obligations satisfied over time

Paragraph	Criterion	Right			
35a	Performance creates or enhances an asset that the customer controls as the asset is created or enhanced.	The customer has substantive rights of ownership that accumulate as the asset is created or enhanced.			
35b	The entity's performance does not create an asset with an alternative use to the entity.	The customer may have substantive rights of ownership that accumulate as the asset is created or enhanced.			
35b.i	The customer simultaneously receives and consumes the benefits of performance as the entity performs.	The customer has rights of consumption that become substantive continuously as the service is consumed.			
35b.ii	Another entity would not need to substantially re-perform the work the entity completed to date.	The customer may have substantive rights of ownership that accumulate as the asset is created or enhanced.			
35b.iii	The entity has a right to payment for performance completed to date and it expects to fulfill the contract as promised.	The customer may have substantive rights of consumption or ownership.			

In can be noticed in the table above that we expressed an opinion that some criteria can only indicate that an entity may be satisfying performance obligations over time. It can occur, for instance, that the supplier does not create an asset with alternative use (or that another entity would not need to re-perform the supplier's work to date) and the customer is still restricted from negotiating the asset during construction. In this case, the two criteria mentioned in this paragraph would relate to protective rights owned by the customer, and not to substantive rights of ownership. If so, revenue should not be recognized because control was not transferred to the customer.

As for the criterion related to the payment conditions, we believe that it only indicates that the rights of ownership obtained by the customer may be substantive since the supplier expects to avoid risks of ownership by being compensated for the performance to date. We address the issue of risk analyses further in Topic 2.4 of this appendix.

2.4. Performance obligations satisfied at a point in time

In this topic of the Exposure Draft, the Board makes use of indicators of the transfer of control. Generally, we do not agree with the use of indicators. It is our understanding that such approach tends to conflict with the proposal of developing principles based standards. The timing of transfer of control depends on answering a very straightforward question: when does the customer become able to make the most relevant decisions about the recovery of a resource? The answer to this



should not rely on indicators, except for very specific situations when the customer and the supplier divide the decision power.

For instance, a supplier may sell an asset to a customer but still retain minor interests in the output generated with the recovery of the asset. Therefore, the buy and sell arrangement could establish that the supplier is also capable of making some of the decisions relating the use and/or negotiation of the asset.

When situations like the one exemplified above exist, we propose the adoption of the following steps for identifying a controlling party in bilateral arrangements:

- a) Identify the resource contracted for;
- b) Identify the returns to be provided with the recovery of the resource and establish a unit of account for such returns;
- c) Identify the decisions that could affect the amount of returns obtainable from the recovery of the resource;
- d) Weigh the relevance of each decision in determining the expected returns;
- e) Identify the party that is contractually able to make each decision (based on substantive rights); and
- f) Compare the relevance of the aggregated decisions of the customer to the relevance of the aggregated decisions of the supplier.

If the results from the adoption of the steps above are not conclusive, we would recommend the use of the best approach for indicating the controlling party in bilateral arrangements: an analysis of risks and rewards. The real issue is restricting the analysis to the types of risks and rewards that matter for the recovery of the resource, within the scope of the rights exchanged: the risks (and rewards) of having bad (good) decisions being made by the controlling party. This excludes several unrelated risks and rewards that one could try to analyze since we saw no definition in the Exposure Draft for "risks and rewards of ownership".

For instance, if a supplier transfers control over the recovery of an asset to a customer, it is natural to presume that the supplier would not desire to be exposed to effects deriving from recovery decisions to be made by the customer. Therefore, the supplier would prefer contractual payments that are not related or with a low relation to the results from the recovery of the asset. Since this logic applies to all of the three types of rights identified by us (please see Table 1), we believe it is reasonable to presume that the less related payments made by the customer are to the results from the recovery of a resource, the more likely it is that this same customer controls the resource. The following table summarizes this idea:



Table 4 – Risk analysis by type of arrangement

Tubic 1 Risk dilarysis		arrangement			, ,
Nature Risk	Services	Goods to be consumed (ex. Raw material)	Assets/goods under construction/ production	Assets purchased for use (ex. PP&E)	Leased assets
Results from usage Vs. Payments made by customer		n/a	Related or not?		
Results from negotiation Vs. Payments made by customer	n/a			n/a	
Results from consumption Vs. Payments made by customer	Rela	ated or not?		n/a	

We believe that a quantitative measurement of such relation should indicate the party exposed or having rights to most of the variable returns. We have provided the Staff of the IASB with hypothetical examples of how this relation could be quantified but, in practice, we believe that a qualitative analysis of contingent payments associated to the performance in the recovery of a resource would satisfy in determining the relation between payments and results.

Nevertheless, despite our disagreements with the broad use of indicators proposed in the Exposure Draft, we would strongly recommend the Board not to use an indicator based on an entity's present right to payment for an asset. This is because an agent could also have an obligation to pay the principal, but such an obligation would derive from decisions made while representing the principal and for which the agent bears no exposure to risks and rewards.

2.5. Measuring progress towards complete satisfaction of a performance obligation

In this part of the Exposure Draft the Board proposes that the progress toward satisfaction of a performance obligation should be measured according to the transfer of control of goods and services from the supplier to the customer. In order to depict the pattern of transfer of control to the customer, an entity could use output methods or input methods.

Although we believe that only output methods could fully comply with the objective of measuring progress, it is our opinion that input methods could provide good practical expedients for construction/production contracts in which substantive rights of ownership accumulate to the customer over time.⁴

3. Misapplications

Having explained our views regarding the notion of control within the context of the proposals of the IASB for revenue recognition, we would like to address something we did not see being presented as an issue in the Exposure Draft: a clear distinction between contracts that are leases from contracts that are services. Formally, we have seen this issue being explored only in the leases' project.

So far, from what we understood about the most recent tentative decisions made by the Board, the fact that an asset would be made available to the customer as services are rendered by the supplier/owner would constitute a right of use to the customer, since the customer could ultimately

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⁴ See also Topic 2.3 of this appendix.



decide about the destiny of the asset during the term of the contract. We strongly disagree with that view as it minimizes the complexity of the many different types of transactions that could involve the availability of assets to customers through contractual specification.

In the situations described in the preceding paragraph the supplier/owner could be making the primary usage decisions and the customer the secondary consumption decisions. These secondary consumption decisions would determine how the service capacity should be consumed. In this case, contractually specifying an asset merely ensures that these rights of consumption will be substantive, as services are performed. In fact, specifying a resource (and not only an asset) might be necessary for rights of use, ownership and consumption to be substantive.

3.1. The time charter example

In time charters, the customer consumes transportation capacity, which can be contractually translated into days of availability of a ship. The ship owner needs to make his primary decisions about the use of the asset, so that the appropriate level of availability is provided to the customer, which then decides on how that capacity should be consumed. In Table 2, we demonstrated that service arrangements have the peculiarity of transferring control to the customer only when the outputs are consumed. We would like to explore that with a quantitative hypothetical example.

Assume that a customer hires a shipping company to provide transportation services during two years. The transportation has a specific nature and the customer demands the specification of the ship to be used by the ship owner, in order to guarantee that services will be performed as expected. The contract establishes that the ship owner will be responsible for the maintenance and operational decisions, which are to be made autonomously. Considering several simplifications in the example, we believe that the arrangement could be mathematically analyzed as follows:⁵

Table 5 – Quantitative analysis of rights of use in a time charter

Set of Decisions	Main Decider	A	В	C = A x B	D = ∑ C	E = A - D	F = (E) ²	G = F x B
#1	Ship owner	28	50%	14	25	3	8	4
#2	Ship owner	22	30%	7	25	(3)	10	3
#3	Ship owner	23	20%	5	25	(2)	5	1

A - Estimated monthly availability based on the decision (in days)

B - Probability

The amount of 8, which is the sum of column G in the Table above, corresponds to the variance in the output of the transportation service. And the reason we are classifying it as a service derives from the fact that the decisions made by the ship owner compose 100% of the total variance ((4+3+1)/8). There are no decisions to be made by the customer in terms of the use of the ship.

The customer, however, would have relevant decisions to make regarding the consumption of the availability of the transportation capacity. Assume, for instance, that the availability of the transportation capacity was leveled at 28 days, because of the decisions made by the ship owner. Only then a mathematical analysis of the customer's decisions could be done, to verify if the customer actually controls the consumption of the service:

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⁵ The analysis is based on Example 1 of ASC 810.10.55.



Table 6 – 0	uantitative analy	vsis of rights	s of consum	ntion in a	time charter
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	Main			C =	D =	E =	F =	G =
Decision	Decider	A	В	A x B	ΣC	A - D	$(E)^2$	FxB
Ship to port A	Customer	28	20%	6	23	5	24	5
Ship to port B	Customer	25	30%	8	23	2	4	1
Ship to port C	Customer	20	50%	10	23	(3)	10	5

A - Estimated number of days for the cargo to be available to the customer

B - Probability

As it can be observed in the table above, the customer would control the consumption of the transportation service, as the service is provided on a day-to-day basis. This is because the customer would decide alone as to whether the cargo should be shipped to ports A, B or C. It must be noticed that the same set of decisions would still be available to the customer, had the ship not been specified. The difference is that the rights of consumption owned by the customer could prove to be less substantive than expected (and thereby transferring control over fewer resources) if the service provider ends up being incapable of shipping to port A, for instance.

3.2. Conclusions from the time charter example

In the previous example, the ship owner would satisfy the performance obligation according to the proposals for revenue recognition, and not at the beginning of the arrangement as tentatively decided by the Board in the leases' project. Additionally, there are four other points worth noting:

- a) In solving the example, we have applied all of the steps listed in the routine described by us in Topic 2.4 of this appendix;
- b) The time component in a time charter (or other time basis arrangements) could not be factored into the routine mentioned above, since this variable could also not be factored into the mathematical analysis;
- c) Preventing others from accessing the transportation capacity of the ship should not configure control by the customer over the use of the ship, because the customer is actually preventing others from directing the consumption of the transportation capacity, as explained by us in Topic 2.2 of this appendix; and
- d) Had we made an analysis of the risks and rewards involved in the time charter example, we would most likely conclude that the ship owner retained all of risks and rewards associated to the use of the ship. This would be expressed by contractual payments that would vary according to changes in the availability of the transportation capacity (through daily rates and offhires).



3.3. Link between the time charter example and IFRS 10

The time charter example can also be adapted in order to demonstrate the inconsistencies mentioned by us between IFRS 10 and the transfer model proposed for both revenue recognition and leases.⁶ For instance, a reporting entity may structure an autopilot subsidiary with the purpose of holding one single asset (a ship) to be used in rendering services to customers. Although the subsidiary runs in autopilot, the reporting entity decides about how the asset should be operated and maintained. The subsidiary celebrates a service arrangement with a customer, which covers substantially all of the asset's useful life, and revenues will vary according to the performance of the subsidiary based on the provision of day-to-day service capacity.

In applying IFRS 10, we would conclude that the reporting entity would control the subsidiary, since it has the ability to make the decisions that could significantly affect the returns of the subsidiary and is, therefore, exposed to these same variations. However, had the single asset been contractually specified and revenue would have to be recognized by the subsidiary according to the most recent tentative decisions for lease accounting. This means that the reporting entity would have to present an accounts receivable instead of the single asset, and this change in the accounting for the arrangement would occur despite the fact that the rights and abilities of the reporting entity to make decisions remained exactly the same. Specifying the asset was actually unnecessary to the customer since the subsidiary runs in autopilot, but it serves to illustrate in the example the distortions that are being created by this criterion.

Measurement of the transaction price

We would like to state our full support to the Board's re-deliberations regarding the measurement of the transaction price. More specifically, we agree with the proposals: to exclude credit risk from the measurement of the transaction price; to add a one year practical expedient on the accounting for the effects of the time value of money; and to permit the use of the most likely amount in measuring the transaction price. These proposals would ease the application of the future standard and still provide the users of financial statements with relevant and more meaningful information.

Constraining cumulative revenue

We understand the reasons for the Board to propose constraining the cumulative revenue to amounts that are reasonably assured. However, revenue recognition is not the only area of accounting where uncertainties have to be addressed by preparers of financial statements. In this sense we believe that application of this new way of treating uncertainties should be further explored as well as its correlation to the requirements of other IFRSs.

In other standards, for instance, other comprehensive income is used as a tool for dealing with uncertainties in the subsequent measurement of assets and liabilities, despite the fact that the conceptual framework does not define that part of the stockholder's equity. Maybe, one possible application the constraining approach could be in the initial recognition of assets (such as accounts receivable), which in terms of revenue recognition would achieve the same results as proposed in the Exposure Draft, but with the benefit of being expandable for other types of transactions.

Ultimately, we urge the Board to address the matter of uncertainties and the role of other comprehensive income as well as the use of constraining approaches within the revision of the conceptual framework.

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⁶ Please see Topic 1 of this appendix.



Disclosure

The Board proposes to amend IAS 34 in order to require several additional interim disclosures about revenue recognition. We do not agree with such proposal as it implies that in order to comply with the objectives of the disclosure requirements an entity would have to update in interim periods most of the disclosures required for annual periods. Assuming that interim financial statements should be read in conjunction with the most recent annual financial statements, disclosure of interim financial data should focus on transactions and events that could effectively affect the predictive value of information previously disclosed. In this sense, we believe it would be more appropriate for the Board to address this issue in a holistic way, revisiting the framework for disclosures in interim and annual financial reporting. Besides, the costs to be incurred in preparing the disclosures proposed for interim financial statements would most likely overcome the benefits to be provided to the users of such information.

Transfer of a non-financial asset

We would like to welcome the Board's proposal to provide specific requirements for the accounting for transfers of non financial assets that are not output of an entity's ordinary activities. We believe this is an area of accounting that currently lacks an appropriate guidance, specifically when the transfers involve transaction prices that could change over time. This proposal, however, reinforces our comments on the importance of the definition of control.

Additionally, we believe that the Board should also address the issue from the perspective of the purchaser of the non-financial asset. Specifically, it is our opinion that the Board should define whether subsequent changes in the transaction price should be accounted for in the Statement of Profit and Loss or as part of the cost of the purchased asset.

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