20th March 2009

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

Dear Boards´ members,

Consejo Mexicano para la Investigación y Desarrollo de Normas de Información Financiera (CINIF) the accounting standards setter body in Mexico, welcomes the opportunity to submit its comments on the ***Exposure Draft 10 Consolidated Financial Statements.*** Set forth below you will find our comments to the topics included in the Exposure Draft (ED).

Comments related to topics not considered in the questions

- The CINIF considers that the standard is too succinct and it is trying to state the norms through guidance and examples. Thus, we believe that the normative part needs to be expanded because it is not viable to state all the possible situations in the examples; in our opinion the IFRS should maintain a principles based approach.

- The CINIF does not agree with the use of fair value in order to measure an investment when there is a loss of control. The CINIF considers that the use of fair value in this case is wrong because fair value is essentially a negotiation value and the retained investment is not always intended to be negotiated. We believe that after the loss of control, the investment should not be consolidated anymore and it should be measured according to its new characteristics. For instance, if significant influence is retained and the intention is to keep the investment on a permanent basis, the equity method should be used.

Question 1
Do you think that the proposed control definition could be applied to all entities within the scope of IAS 27 as well as those within the scope of SIC-12? If not, what are the application difficulties?

Yes, the CINIF agrees with the definition proposed in the ED and believes it is applicable to all entities. However, we consider important to establish within the definition that control must be current.

Question 2
Is the control principle as articulated in the draft IFRS an appropriate basis for consolidation?

Yes, the CINIF believes that control is the key factor that should trigger consolidation.

Question 3
Are the requirements and guidance regarding the assessment of control sufficient to enable the consistent application of the control definition? If not, why not? What additional guidance is needed or what guidance should be removed?

We agree with the requirements and guidance included in the ED. We believe that judgment has a key role when assessing if control exists and the guidance in the ED is very helpful to highlight what is important to be considered when exercising judgment.

Question 4
Do you agree with the Board's proposals regarding options and convertible instruments when assessing control of an entity? If not, please describe in what situations, if any, you think that options or convertible instruments would give the option holder the power to direct the activities of an entity.

Yes, we do. The CINIF considers that options and convertible instruments must be considered together with all facts and information available when assessing if the reporting entity has control over another entity. Nevertheless, we believe that in addition the instruments should be exercisable and the holder requires to have the intention and capacity to convert them.

Question 5
Do you agree with the Board's proposals for situations in which a party holds voting rights both directly and on behalf of other parties as an agent? If not, please describe the circumstances in which the proposals would lead to an inappropriate consolidation outcome.

We believe that when this situation is temporary it is not correct to consolidate. Moreover, we consider it is necessary to include in the final document a specific example that clarifies the proposal.

Question 6
Do you agree with the definition of a structured entity in paragraph 30 of the draft IFRS? If not, how would you describe or define such an entity?

No, we do not agree with the definition nor with the concept of "structured entity". We consider that the new concept is confusing because it does not describe in a proper manner to which type of entities it refers. In addition, we believe that the definition is too brief.

The CINIF believes that the important fact is assessing if control exists and, if it does, it is necessary to establish the consolidation requirement regardless of the legal form of the entity.

Question 7
Are the requirements and guidance regarding the assessment of control of a structured entity in paragraphs 30–38 of the draft IFRS sufficient to enable consistent application of the control definition? If not, why not? What additional guidance is needed?

We believe that the control concept requires to be general and, thus, applicable to all type of entities regardless of the legal characteristics of the entity.

Question 8
Should the IFRS on consolidated financial statements include a risks and rewards 'fall back' test? If so, what level of variability of returns should be the basis for the test and why? Please state how you would calculate the variability of returns and why you believe it is appropriate to have an exception to the principle that consolidation is on the basis of control.

No, we do not agree with the fall back test because we consider it is opposite to the control model in which according to this document power and returns must be linked. Moreover, establishing a test like this with a particular level of variability implicates the use of parameters and rules and the approach elected by the IASB is a principles based approach.

Finally, we believe that when an entity has control over another it is automatically exposed to risks and rewards coming from it.

Question 9
Do the proposed disclosure requirements described in paragraph 23 provide decision-useful information? Please identify any disclosure requirements that you think should be removed from, or added to, the draft IFRS.

No, the CINIF believes that by only complying with the proposed disclosure requirements does not provide useful information if the entity has significant influence. We believe that the IFRS should require the use of the equity method in order to include the investment in the financial statements and recognize an asset. Consequently, we consider that the mere disclosure of the relationship does not compensate for the recognition of these entities.

Question 10
Do you think that reporting entities will, or should, have available the information to meet the disclosure requirements? Please identify those requirements with which you believe it will be difficult for reporting entities to comply, or that are likely to impose significant costs on reporting entities.

Yes, we believe that the requirements do not impose excessive costs to entities because they should have this information available as part of their own assessment of the investment and risks reports.

Question 11
(a) Do you think that reputational risk is an appropriate basis for consolidation? If so, please describe how it meets the definition of control and how such a basis of consolidation might work in practice.

No, when the entity does not have control over another entity it is necessary to assess if significant influence exists and if so, the equity method should be a requirement to incorporate entities in the balance sheet and recognize an asset. Otherwise, the proper accounting treatment needs to be appointed according to the specific situation by determining if the support represents an expense , an investment or something else.

(b) Do you think that the proposed disclosures in paragraph B47 are sufficient? If not, how should they be enhanced?

Please refer to previous answer.

Question 12
Do you think that the Board should consider the definition of significant influence and the use of the equity method with a view to developing proposals as part of a separate project that might address the concerns raised relating to IAS 28?

Yes, we consider that the equity method should be used even for financial statements that are not consolidated, due to the fact that the entity is exposed to returns and risks that should be recognized.

Should you require additional information on our comments listed above, please contact me at 00-52-55-5596 5633/26/34 or by e-mail at fperezcervantes@cinif.org.mx

Sincerely,

C.P.C. Felipe Perez Cervantes
President of the Mexican Accounting Standards Board
Consejo Mexicano para la Investigación y Desarrollo
de Normas de Información Financiera (CINIF)