



Australian Government
**Australian Accounting
Standards Board**

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Sandra Thompson
Senior Project Manager
International Accounting Standards Board
30 Cannon Street
LONDON EC4M 6XH
UNITED KINGDOM

Dear Sandra

IASB ED *Proposed Amendments to IAS 39 Financial Instruments: Recognition and Measurement – Transition and Initial Recognition of Financial Assets and Financial Liabilities*

In response to the IASB's Invitation to Comment on its Exposure Draft *Proposed Amendments to IAS 39 Financial Instruments: Recognition and Measurement – Transition and Initial Recognition of Financial Assets and Financial Liabilities*, the Australian Accounting Standards Board has prepared the attached submission addressing the specific questions asked and commenting on the proposals in the IASB ED.

The AASB issued the IASB ED in Australia with an Australian Preface as ED 136 "Request for Comment on IASB ED of *Proposed Amendments to IAS 39 Financial Instruments: Recognition and Measurement – Initial Recognition of Financial Assets and Financial Liabilities*" concurrently with the release of the IASB ED. The Preface identified the AASB's preliminary view to not support the proposed changes in IAS 39 and encouraged Australian constituents to respond to the IASB on the proposals in the IASB ED, with copies of those responses to the AASB. The AASB has prepared its comments after having considered Australian constituents' comments on ED 136.

The AASB considers an approach that replicates the approach articulated in paragraph B1 of IFRS 1 is best able to address the concerns of constituents on the retrospective application of the fair value measurement guidance in paragraph AG76 of IAS 39 for the following reasons:

- an entity that considers that the effects of retrospective application are not determinable may elect not to apply retrospectively the provisions in AG76 to financial instruments;
- an entity that considers the effects of retrospective application are determinable restates any financial instrument to comply with the provisions in paragraph AG76, and restates all financial instruments recognised subsequent to that date. For example, an entity that reconciles its results to US GAAP would, because it would have the relevant data, elect to apply the provisions in

paragraph AG76 to a financial instrument transaction entered into at the first date after 25 October 2002, and to all other financial instruments from that same date. Similarly, an entity that might have compiled all the data necessary for retrospective application of the 'day 1' gain or loss recognition requirements in paragraph AG76 would be able to elect to apply the provisions of paragraph AG76 with full retrospective effect (as currently required).

The AASB considers that this approach could also be used to provide relief for existing users of IFRSs.

The proposal in the ED to amend the effective date is not consistent with the IASB's commitment to maintaining a 'stable platform' of unchanged Standards during the period to 2005 when many companies adopt IFRSs for the first time. However, we acknowledge that this particular ED is proposing relief in respect of an existing requirement rather than proposing additional or changed requirements. Accordingly, the AASB supports the proposed effective date.

The Board hopes that its comments in the attached submission, explaining its concerns and those of its constituents, will assist the IASB.

Yours sincerely

A handwritten signature in black ink, appearing to read "David Boymal". The signature is fluid and cursive, with a long horizontal stroke at the end.

David Boymal
Chairman