

1 November 2005

Patricia Buchanan
Project Manager
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

Dear Ms Buchanan

DTC 1 — Proposed Amendments to IAS 21 — *Net Investment in a Foreign Operations*

The Financial Reporting Standards Board (FRSB) of the New Zealand Institute of Chartered Accountants is pleased to submit its comments on the IASB Draft Technical Correction 1 — Proposed Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates — *Net Investment in a Foreign Operation* (DTC 1). The FRSB sought the views of New Zealand (NZ) constituents on DTC 1. One positive submission was received and has been forwarded to the IASB.

Proposals in DTC 1

The FRSB agrees with the proposals in the DTC 1 except for the proposal that the amendments in DTC 1, once finalised, will be effective immediately with retrospective application. The immediate effective date of DTC 1, once finalised, may lead to some New Zealand entities failing to be able to state compliance with IFRSs. In New Zealand, accounting standards are regulations and take at least two months for amendments to be effected. Therefore, a New Zealand entity, whose annual reporting period ends in the time period lag between the effective date of the finalised amendments in DTC 1 for IFRSs and the effective date of the finalised amendments in NZ IFRSs, will not be able to claim compliance with IFRSs.

We believe the application of the proposals in DTC 1 retrospectively will be onerous for entities currently applying IFRSs. We note that entities currently applying IFRSs will not be able to use the cumulative translation differences exemption from certain requirements of IAS 21 in IFRS 1 *First-time Adoption of International Financial Reporting Standards* (IFRS 1). To be consistent with IFRS 1, we recommend a similar exemption to IFRS 1.21-22 be allowed as a transitional provision for the proposed amendments.

IASB [proposed] Policy on Technical Corrections

On a related matter, we wish to reiterate our concerns about the IASB [proposed] Policy on Technical Corrections set out in our letter to the IASB dated 23 September 2005. The IASB [proposed] Policy on Technical Corrections, which if confirmed, will result in the issuance of other draft Technical Corrections such as DTC 1. Our concerns about the proposed Technical Corrections process are:


1. that it introduces an additional process for changes to IFRSs;
2. that the short comment period may be inadequate for due process; and
3. that the label 'technical corrections' might be misleading to constituents.

While we agree with the majority of the proposals in DTC 1, the proposals in DTC 1 are a significant change to certain requirements of IAS 21 and, if implemented, have practical implications. Consequently, we believe that it is misleading to label the proposals in DTC 1 as a 'technical correction' and that the proposals merit a longer comment period than that 31 days allowed for in DTC 1. We reiterate our earlier suggestion that another label be used rather than 'technical correction' for proposals such as DTC 1.

We note also that in introducing the 'technical corrections' process without clear guidelines to differentiate a 'technical correction' from an Exposure Draft will result in the IASB expending resources, with little cost benefit, on each proposed amendments to determine if the proposed amendments should be issued as a 'technical correction' or an Exposure Draft.

If you have any queries, or require clarification of any matters in this submission, please contact Joanna Perry (jmperry@kpmg.co.nz) or Joanna Yeoh (joanna.yeoh@nzica.com).

Yours sincerely

A handwritten signature in black ink, appearing to read 'Joanna Perry', with a stylized flourish underneath.

Joanna Perry
Chairman - Financial Reporting Standards Board