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Exposure Draft of Proposed Amendments to IAS 39 Financial Instruments: Recognition and Measurement: *Cash Flow Hedge Accounting of Forecast Intragroup Transactions*.

Dear Sandra

Grant Thornton International is pleased to comment on the International Accounting Standards Board (the Board) Exposure Draft of Proposed Amendments to IAS 39 Financial Instruments: Recognition and Measurement: *Cash Flow Hedge Accounting of Forecast Intragroup Transactions* (the ED).

We do not agree with the proposed amendment contained in the ED on the basis that we consider there is no economic exposure but only an accounting exposure, which can be changed (or manipulated) through the use of a different presentation currency for the group. We agree with the Alternative View in paragraph AV2.

An entity's functional currency reflects the underlying transactions, events and conditions that are relevant to it [IAS 21.13]. Thus foreign currency transactions are recorded (on initial recognition) in the functional currency, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of transaction.

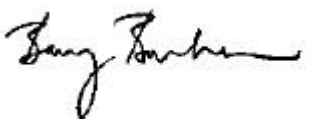
IAS 21 implicitly recognizes that the exchange rate risk appears in the maintenance of a net exchange position in a foreign currency relative to the functional currency. There may not be economic exposure to the group's presentation currency.

However, there is clearly a practical problem to be addressed in the implementation of IAS 39. We see merit in the "simple solution" of essentially reinstating the guidance

previously in IGC 137-14 and permit a highly probable forecast intragroup transaction to be the hedged item provided that the transaction will result in the recognition of an intragroup monetary item for which exchange differences are not fully eliminated on consolidation.

If you have any questions on our response, or wish us to amplify our comments, please contact our Director of International Financial Reporting, Ms April Mackenzie (april.mackenzie@gt.com or telephone +1 212 624 5428).

Yours sincerely



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