

Our Ref: ER02-0014

8 October 2004

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

Dear Sandra

**EXPOSURE DRAFT OF PROPOSED AMENDMENTS TO IAS 39
FINANCIAL INSTRUMENTS: RECOGNITION AND MEASUREMENT
TRANSITION AND INITIAL RECOGNITION OF FINANCIAL ASSETS AND
FINANCIAL LIABILITIES**

This response to ED Proposed Amendments to IAS 39 is written on behalf of the following members of the Australasian Council of Auditors-General:

- Auditor-General of New South Wales
- Auditor-General of Queensland
- Auditor-General for Tasmania
- Auditor-General of Victoria
- Auditor-General for Western Australia
- Auditor-General of New Zealand

The non-inclusion of an ACAG member in the submission does not necessarily mean they disagree with the submission.

We generally do not support the amendments to IAS 39 proposed by this ED. Our comments on the specific questions asked are contained in the attachments to this letter.

The opportunity to provide comment is appreciated and we trust you will find the attached comments useful.

Yours sincerely

Kevin Brady

**RESPONSE TO EXPOSURE DRAFT OF PROPOSED AMENDMENTS TO
IAS 39 FINANCIAL INSTRUMENTS: RECOGNITION AND MEASUREMENT
TRANSITION AND INITIAL RECOGNITION OF FINANCIAL ASSETS
AND FINANCIAL LIABILITIES**

Question 1

Do you agree with the proposals in this Exposure Draft? If not, why not? What changes do you propose and why?

We do not agree with the proposals in the Exposure Draft. We acknowledge that it is a step in the right direction to provide some relief from full retrospective application. However, there is no relevance in the date of 25 October 2002 to entities in Australia or New Zealand. Furthermore, it may still be difficult for entities to identify for each financial instrument 'day 1' gains or losses back to 25 October 2002. Rather than either a fully or partially retrospective approach, we would prefer a prospective approach from 1 January 2006 (post stable platform) with entities able to elect to early adopt the new standard.

Question 2

Do the proposals contained in this Exposure Draft appropriately address the concerns set out in paragraph 5 of the Background on this Exposure Draft? If not, why not and how would you address those concerns?

We agree that the proposals contained in the Exposure Draft appropriately address concerns about divergence with US GAAP as set out in paragraph 5 of the background. However, as noted above, in our view the proposals do not appropriately address concerns about the degree of difficulty and expense of retrospective application.

Question 3

Do you have any other comments on the proposals?

We have no other comments.