

16 July 2004

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

Submission on Exposure Draft: Amendments to IAS 39

**Financial Instruments: Recognition and Measurement: The Fair value
Option**

I am greatly concerned that the proposed amendments further complicate a standard that is already so complicated that it is difficult, if not impossible, for those reading it to comprehend what is required. It is my belief that further tinkering with IAS 39 will be counter productive. I do not support the proposal to apply a more strict recognition requirement than that which is normally applied to financial instruments; if it is possible to obtain a reliable estimate of the fair value of a financial instrument, then that is sufficient. If it is not possible to do so, then the financial instrument should not be recognised.

One rationale given the proposals involves an assumption that recognition and measurement rules that increase the volatility in reported profit are less desirable than those that minimise validity in reported profits. If the rules reflect the underlying facts, then it is completely unacceptable to deny those facts in the financial statements merely because reported profit is more volatile. Further,

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the possibility that the rules may be misapplied to manipulate reported profits is not of itself sufficient justification for using a different rule which may or may not preclude such misapplication if the result is financial statements that do not reflect the underlying facts. If prudential regulators wish other rules to be applied in reports provided to them, that is their prerogative; however the wishes of prudential regulators cannot be used to justify the provision of inappropriate information to users of general purpose financial reports. While this may result in additional cost being imposed on some entities, that is part of the cost of protecting the integrity of financial institutions, and should not be considered to be a cost of the wider financial reporting system.

If technical staff of the Board wish to discussion any matter raised in the submission I can be contacted either by email:

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Yours truly,

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CC Australian Accounting Standards Board