

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 DRAFTS OF PROPOSED AMENDMENTS TO IAS 39
FINANCIAL INSTRUMENTS: RECOGNITION AND MEASUREMENT CASH
FLOW HEDGE ACCOUNTING OF FORECAST INTRA-GROUP
TRANSACTIONS**

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 Queensland
- Auditor-General for Tasmania
- Auditor-General of Victoria
- 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 attachment 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
CASH FLOW HEDGE ACCOUNTING OF
FORECAST INTRA-GROUP TRANSACTIONS**

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. As is noted in the Alternative View in paragraph AV2, we are concerned that:

- hedge accounting may be applied where there is no economic exposure to risk; and
- hedge accounting could be obtained by an entity changing its presentation currency.

Question 2

Do the proposals contained in this Exposure Draft appropriately address the concerns set out in paragraph 3 of the Background on this Exposure Draft? If not, why not and how would you address these concerns?

We do not agree that the proposals contained in the Exposure Draft appropriately address the concerns about cash flow hedge accounting of forecast intra-group transactions and concerns about divergence with US GAAP as set out in paragraph 3 of the background.

Question 3

Do you have any other comments on the proposals?

We have no other comments.