

CA House • 83 Pembroke Road • Dublin 4  
Tel: 353 1 637 7200  
Fax: 353 1 660 4472  
Email: ca@icai.ie



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

**CL 28**

8<sup>th</sup> October 2004

Dear Ms Thompson,

**Exposure Draft of Proposed Amendments to IAS 39, Financial Instruments: Recognition and Measurement Transition and Initial Recognition of Financial Assets and Financial Liabilities**

The Accounting Committee (AC) of the Institute of Chartered Accountants in Ireland considered the proposals in this ED at its meeting on 16 September 2004.

**Question 1**

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

AC agrees with the proposals, other than the proposed date for prospective application as it has relevance only for SEC registrants.

AC suggests that prospective application of the requirements of AG76 should be permitted for transactions entered into before 1 January 2004 or before an earlier date of the entity's choosing. AC considers that this would be more consistent with the requirements for derecognition for both first time adopters and current IAS preparers transitioning to revised IAS 39.

## **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?**

AC believes that the proposals do address the concerns set out in paragraph 5, subject to the suggestion in the response to question 1 above which would cater for both SEC and non-SEC registrants.

## **Question 3**

**Do you have any other comments on the proposals?**

AC supports the Board's clarification on the prohibition of the recognition of the entire "day 1" gain or loss on "day 2". However, AC has concerns that the ED detailing that a gain only should be recognised to the extent that it arose from "a change in factor (including time) that market participants would consider in setting a price", may be interpreted as allowing companies to spread day-1 profit over the life of the transaction in the absence of supporting observable data. AC believes that more clarification is necessary to enable entities to interpret properly what IASB intends by the expression "including time".

Yours faithfully,

Simon Magennis  
Secretary  
Accounting Committee  
Institute of Chartered Accountants in Ireland