

IAS 39 Financial Instruments: Recognition and Measurement (June 2005)

Hedge effectiveness tests – vacillations in effectiveness/timing of tests

The IFRIC considered whether under IAS 39 an entity that designates a hedging instrument in a hedge that fails the retrospective effectiveness test can subsequently redesignate the hedging instrument in a hedge of the same financial asset or liability and obtain hedge accounting for a subsequent period in which the hedge is effective.

The IFRIC noted that the Standard did not preclude redesignation of the hedging instrument in a hedge of the same financial asset or liability in a subsequent period provided the hedge meets the hedge accounting requirements in IAS 39. It concluded that, although having practical relevance, the issue did not involve significantly divergent interpretations. Accordingly, the IFRIC decided not to add the topic to its agenda.