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8 October 2004

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

Dear Ms. Sandra Thompson:

The International Accounting Standards Review Committee (IASRC) of the Korea Accounting Standards Board (KASB) sends you its comments on the Exposure Draft of Proposed Amendments to IAS 39 Financial Instrument: Recognition and Measurement, *Cash Flow Hedge Accounting of Forecast Intragroup Transactions & Transition and Initial Recognition of Financial Assets and Financial Liabilities*. I would appreciate your including our comments in your summary of analysis that will be presented to the IASB.

The enclosed comments are those of the IASRC and do not represent an official position of the KASB. The official position of the KASB is determined only after extensive due process and deliberation, to which this letter has not been subjected.

Please do not hesitate to contact us if you have any inquiries regarding our comments. You may forward your inquiries either to Mr. Jae-ho Kim (jhkim@kasb.or.kr) or Mr. Kyoung-chun Yu (yukc@kasb.or.kr), both of whom are full-time research staff of the KASB.

Best regards,

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Dr. Suk Sig Lim
Chairman, International Accounting Standards Review Committee
Vice Chairman, Korea Accounting Standards Board

Encl: IASRC comments on the Exposure Draft of Proposed Amendments to IAS 39 Financial

Instrument: Recognition and Measurement

IASRC Comments on the ED of Proposed Amendments to IAS 39
Financial Instrument: Recognition and Measurement,
Cash Flow Hedge Accounting of Forecast Intragroup 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 agree with the proposal in the Exposure Draft.

When preparing consolidated financial statements, transactions between entities or segments in the same group cannot be construed as “real” transactions. Nevertheless, the Korea Accounting Standard permits entities to designate a forecast intragroup transaction as the hedged item in a foreign currency cash flow hedge provided the group has economic and accounting exposures. Such permission is consistent with the proposals in the Exposure Draft.

■ Question 2

Do the proposals contained in 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 believe that the proposals contained in Exposure Draft appropriately address the concerns.

■ Question 3

Do you have any other comments on the proposals?

We have no other comments on the proposals.

**IASRC Comments on the ED of Proposed Amendments to IAS 39
Financial Instrument: 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?

In principle, we agree with the proposals in the Exposure Draft. However, we feel that it is illogical that an entity should apply the requirements delineated in the last sentence of paragraph AG76 prospectively to transactions entered into *after October 2002*. If retrospective application of the last sentence of paragraph AG76 is difficult and costly, it would be more appropriate to apply the requirements prospectively to transactions entered into *after the effective date of 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?

We believe that the proposals contained in the Exposure Draft appropriately address the concerns set out in paragraph 5 of the Background on the Exposure Draft. However, we would like to suggest that the requirements delineated in the last sentence of paragraph AG 76 be applied prospectively to transactions entered into *after the effective date of the IAS 39*, as commented above.

■ Question 3

Do you have any other comments on the proposals?

We have no other comments on the proposals.