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**Draft Technical Correction 1 (DTC 1) Proposed Amendments to IAS 21 *The Effects of Changes in Foreign Exchange Rates* - Net Investment in a Foreign Operation**

Grant Thornton International is pleased to comment on the International Accounting Standards Board (IASB)'s DTC 1 Proposed Amendments to IAS 21 *The Effects of Changes in Foreign Exchange Rates* - Net Investment in a Foreign Operation.

We believe that the proposed amendments will improve IAS 21 *The Effects of Changes in Foreign Exchange Rates* and support them on that basis. We note that the IASB has yet to conclude on its proposed policy for making technical corrections. We consider that it would be inappropriate for the Board to finalize any Technical Correction before finalizing the underlying policy.

Further, we question whether DTC 1 is properly compatible with the draft Technical Corrections policy. Existing IAS 21 allows foreign exchange gains and losses on monetary items to be reclassified to equity in the consolidated financial statements only if denominated in the functional currency either of the reporting entity or of the foreign operation (paragraph 33). DTC 1 proposes to eliminate this restriction. Given that IAS 21 is specific and unambiguous on this point, we assume that paragraph 33 reflects accurately the Board's intentions at the time. DTC 1 might alternatively aim to address an unintended consequence of paragraph 33. However, the Basis for Conclusions makes no reference to any such unintended consequences.

While we support the proposal, we believe the credibility of the Board will be damaged if it is perceived to subvert its own due process. We therefore advise that, if it proceeds with DTC 1 in its current form, the Board enhances the Basis for Conclusions to better address exactly how the amendments meet the technical corrections criteria. We also believe that it will be important that any future draft technical corrections remain strictly within the boundaries established by the Board and that the Bases explain carefully how this is the case.

Our responses to the questions posed in DTC 1 are set out below.

**Question 1:**

**Do you agree with the proposals in this Draft Technical Correction? What changes do you propose and why?**

Subject to our response to Question 2 below, we agree with the proposals and do not recommend any changes to them.

**Question 2:**

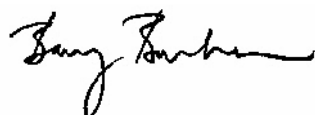
**Do you have any other comments on the proposals?**

DTC 1 proposes the deletion of the words "or loans" and "trade payables" from paragraph 29 of IAS 28 *Investments in Associates*. We do not understand why these deletions are necessary. If they are made we request that the Board explains the rationale in its final Basis for Conclusions.

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If you have any questions on our response please contact our Director of International Financial Reporting, Ms. April Mackenzie ([april.mackenzie@gt.com](mailto:april.mackenzie@gt.com) or telephone +1 212 624 5428).

Yours sincerely



**Barry Barber**

Worldwide Director of Audit and Quality Control  
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A handwritten signature in black ink, reading "April Mackenzie". The signature is fluid and cursive, with a long horizontal stroke extending from the end.

**April Mackenzie**  
Director of International Financial Reporting  
Grant Thornton International