



Australian Government

Australian Accounting  
Standards Board

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# IASB

International Accounting Standards Board

## Exposure Draft

### **IASB ED *PROPOSED AMENDMENTS TO* *IAS 39 FINANCIAL INSTRUMENTS:* *RECOGNITION AND MEASUREMENT –* *CASH FLOW HEDGE ACCOUNTING OF* *FORECAST INTRAGROUP TRANSACTIONS***

*Comments to be received by 8 October 2004*

#### **INVITATION TO COMMENT**

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*In response to the IASB Invitation to comment, the Australian Accounting Standards Board has prepared the following submission addressing the specific questions asked and commenting on the proposals in the IASB ED.*

**IASB ED PROPOSED AMENDMENTS TO IAS 39 FINANCIAL INSTRUMENTS:  
RECOGNITION AND MEASUREMENT – CASH FLOW HEDGE ACCOUNTING OF  
FORECAST INTRAGROUP TRANSACTIONS**

## **INVITATION TO COMMENT**

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The International Accounting Standards Board invites comments on the changes proposed in this Exposure Draft. It would particularly welcome answers to the questions set out below. Comments are most helpful if they indicate the specific paragraph or group of paragraphs to which they relate, contain a clear rationale and, when applicable, provide a suggestion for alternative wording.

Comments should be submitted in writing so as to be received no later than 8 October 2004.

### **Question 1 – Proposals in this Exposure Draft**

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

The AASB is satisfied that the proposals in this ED clarify that in consolidated financial statements a group can designate as the hedged item a highly probable forecast external transaction denominated in the functional currency of the entity (e.g. subsidiary) entering into the transaction, provided the transaction gives rise to an exposure that will have an effect on consolidated profit or loss (i.e. is denominated in a currency other than the group's presentation currency). Accordingly, the AASB supports the proposed amendments.

### **Question 2 – Concerns set out in Paragraph 3**

Do the proposals contained in the 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?

The AASB considers that the proposals in this ED effectively address the concerns of constituents identified in paragraph 3 in the Background section of the ED.

### **Question 3 – Other comments**

Do you have any other comments on the proposals?

The AASB has been told by constituents that there is current divergent practise in the application of hedge accounting to the planned repatriation of forecast profits from an entity with one functional currency to an entity with a different functional currency. The AASB considers that this issue may require further investigation.

The AASB is satisfied with the application date of 1 January 2006 with early application permitted.