

12 October 2004

**CL 47**

Sandra Thompson  
The International Accounting Standards Board  
30 Cannon Street  
London EC4M 6XH  
**United Kingdom**

Dear Sandra

**RE: IASB Exposure Draft of Proposed Amendments to IAS 39 *Financial Instruments: Recognition and Measurement* – Cash Flow Hedge Accounting of Forecast Intragroup Transactions**

The Financial Reporting Standards Board (FRSB) of the Institute of Chartered Accountants of New Zealand (ICANZ) is pleased to submit its comments on the IASB Exposure Draft of Proposed Amendments to IAS 39 *Financial Instruments: Recognition and Measurement* – Cash Flow Hedge Accounting of Forecast Intragroup Transactions (IASB ED). The FRSB sought the views of New Zealand (NZ) constituents on the IASB ED and received a positive submission from a large corporate which has been passed on to you earlier.

The FRSB's responses to the questions to the IASB's Invitation to Comment are set out on the next page. The FRSB does not agree with the proposals in the IASB ED.

If you have any queries, or require clarification of any matters in this submission, please contact Joanna Yeoh ([Joanna.yeoh@icanz.co.nz](mailto:Joanna.yeoh@icanz.co.nz)) in the first instance, or me.

Yours sincerely



**Joanna Perry**  
Chair – Financial Reporting Standards Board

**Question 1**

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

The FRSB does not agree with the proposals in the IASB ED. The FRSB instead supports the dissenting opinion expressed in paragraph AV2 and in particular that the proposals do permit the hedging of accounting exposures that may not be economic exposures to foreign exchange risk, due to the IAS 21 presentation currency concept. The FRSB believes that the solution lies in US GAAP and recommends that IAS 39's scope be extended to permit the designation of intercompany forecast transaction as a hedged item for foreign currency risk in a cash flow hedge in the consolidated, as well as individual, financial statements.

**Question 2**

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?

We support the concerns of the constituents as set out in paragraph 3 in the Exposure Draft. The proposals do not address the concerns in respect of cash flow hedge accounting of forecast intragroup transactions and the proposals, as are currently worded, permit designation of external items as cash flow hedges where only an accounting exposure risk exists due to an alternative presentation currency. The FRSB believes that this stems from the approach taken in IAS 21 *The Effects of Changes in Foreign Exchange Rates*.

**Question 3**

Do you have any other comments on the proposals?

The FRSB has no further comments.