



Sandra Thompson  
International Accounting Standards Board  
30 Cannon Street  
London  
EC4M 6XH

**CL 20**

7 October 2004

Dear Ms Thompson

**Amendments to IAS39**

The Association of Chartered Certified Accountants (ACCA) is pleased to have this opportunity to respond to the three exposure drafts (ED) of proposed amendments issued for comment by the IASB. The EDs were considered by ACCA's Financial Reporting Committee and I am writing to give you their views.

*Overall comments*

Taken individually we are essentially supportive of each of the three EDs, as our comments below indicate. Taken as a whole, however, they form a very unsatisfactory way of setting standards. IAS39 revised was produced in December 2003 with an amendment for portfolio hedging in March 2004, and these together formed part of the so-called stable platform of standards for 2005 and which then announced as complete. Subsequently IASB have published the proposal to limit the fair value option, these three further amendments and a new version of the financial instruments disclosures standards as ED7.

The overall effect of publishing a revised standard and immediately start making changes to it, is not helpful. It has created difficulties in

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**The Association of Chartered Certified Accountants**

the adoption of the standards, and not just in the European Union, in their translation and made a complex standard even harder to understand and apply. Furthermore they have created an impression of mistakes and vacillation at IASB. We appreciate that some of these amendments have been made to try to accommodate the European legal process and 2005 deadline. We hope that in future standards once issued will be able to be left in place for a reasonable period of time without amendment.

*Transition and the initial recognition of financial assets and liabilities*

We support these proposals to

- Limit the effect of fair values in producing profits (compared to cost) for immediate recognition (the Day 1 profits issue).
- Allow entities the option to restate their accounts for these Day 1 profits in a way consistent with US GAAP

*Cash flow hedge accounting of forecast intra-group transactions*

We support this amendment. A simpler solution might have been to revert to the previous implementation guidance which appeared only to have been removed because of the lack of a conceptual rationale.

*Financial guarantee contracts and credit insurance*

We agree that these two sorts of transactions may be different in legal form but are substantially the same in economic effect. We also agree that both should be accounted for under IAS39. In the proposed measurement basis it is not clear to us which part of IAS18 is being referred to for help in determining the "appropriate amortisation".

If there are any matters arising from the above where further information would help, please be in touch with me.

Yours sincerely



Richard Martin  
Head of Financial Reporting