INSTITUT
DER
WIRTSCHAFTSPRÜFER
IDW

Sir David Tweedie
Chairman of the
International Accounting Standards Board
30 Cannon Street

London EC4M 6XH
United Kingdom

Düsseldorf, September 28, 2004
511/520

Dear Sir David

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

We appreciate the opportunity to comment on the Exposure Draft mentioned above and would like to submit our comments as follows:

Question 1

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

According to paragraph 99A of the Application Guidance a group can designate as the hedged item, in a foreign currency cash flow hedge, 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 profit and loss (i.e. is denominated in a currency other than the group's presentation currency). We do not agree with paragraph AG99A because it may lead to a hedge of a mere accounting exposure in case the forecast external transaction is denominated in the functional currency of the entity (e.g. subsidiary) entering into the transaction, but not in the group's presentation currency. However, an economic exposure only exits if a forecast transaction is denominated in a currency other than the functional currency of the entity entering into the transac-

Institut der Wirtschaftsprüfer
in Deutschland e.V.
Tersteegenstr. 14
40474 Düsseldorf
Postfach 320580
40420 Düsseldorf

Telefonzentrale 0211/4561-0
Fax Geschäftsleitung 0211/4541097
Fax Fachabteilung 0211/4561-233
Fax Bibliothek 0211/4561-204
Internet www.idw.de
E-Mail info@idw.de

Geschäftsführender Vorstand:
Prof. Dr. Klaus-Peter Naumann,
WP StB, Sprecher des Vorstands
Dr. Gerhard Gross
Dr. Wolfgang Schaum, WP StB

Bankverbindung:
Deutsche Bank AG
Düsseldorf
BLZ 300 700 10
Kto.-Nr. 7 480 213

INSTITUT DER WIRTSCHAFTSPRÜFER

IDW

tion. Therefore, we agree with the Alternative View on the Proposed Amendments to IAS 39. Furthermore, in our opinion IGC 137-14 *Forecasted intra-group foreign currency transactions that will affect consolidated net income* should be retained.

Question 2

Do the proposals contained in this 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 those concerns?

We refer to our answer to Question 1.

Question 3

Do you have any other comments on the proposals?

If IGC 137-14 will not be retained and the repeal of IGC 137-14 means that it is not possible to hedge forecast intra-group transactions then presumably any hedge accounting for such transactions will need to be retrospectively reversed. But while it will be possible to hedge the external transaction, it is not possible to designate a hedge retroactively (IAS 39 para. 88 (a) and 104). Therefore, unless special transition rules are introduced, hedge accounting can only begin from the moment of redesignation, and past hedge accounting will need to be eliminated.

We would be pleased to answer any questions that you may have or discuss any aspect of this letter.

Yours sincerely

Klaus-Peter Naumann
Chief Executive Officer

Norbert Breker
Technical Director
Accounting and Auditing