What's all the FAS about?

Treasurers and accountants have never made good bedfellows. However, with FAS 133 now looming large for those reporting under US GAAP, and with IAS 39 on the (not-so-distant) horizon for companies across Europe (as part of the move towards harmonisation of accounting standards), the treasury and accounting functions may have to reconcile at least some of their differences.

In this month's Spotlight we focus on what is rapidly becoming not only one of the treasury hot topics of the day, but also a source of significant frustration amongst treasury professionals. Given the almost endless complexity of the subject, the articles cannot hope to cover the whole spectrum of issues but the authors have examined many of the main features, problems and concerns corporates are currently experiencing in this area. Readers will benefit from the practical experiences which contributors have shared throughout their articles.

The Spotlight opens with an article by myself and my colleague, **Olivier Cattoor**, in which we look at the overall impact of FAS 133, particularly on internal control and focus on the delicate issue of hedges of forecast foreign exchange.

It is a pleasure to include two articles from the coalface, that is treasurers who are already implementing the standard. **David Burns** of Basell takes us through the processes his company has gone through to ensure compliance and provides us with some useful insight with his "three laws of the game". **Brian Kirkpatrick** of Air Products and Chemicals, another company which has already implemented the new standard, provides his own perspective on the process and the key issues raised by his experiences.

In view of the piecemeal approach to interest rate risk in FAS 133, a straightforward framework for addressing this aspect of the standard has been hard to come by. **Nilly Essaides** of FAS133.com addresses this problem in her article and helps clarify some of the issues, emphasising the importance of the shortcut method and explaining the amendment which allows hedging of the benchmark interest rate. Her colleague **Andrea Garrett** looks briefly at the touchy area of partial term hedging.

Lynn Corsetti of Deutsche Bank in New York reviews the impact of FAS 133 on foreign exchange, with a useful examination of three potential structured product alternatives.

Finally, **Mona Henriksson** and **Riitta Kuusela** of Trema Group provide the systems perspective, highlighting some of the challenges vendors have faced in preparing for the new rules and including a case study from Caterpillar.

In view of the pressures currently facing all those involved with FAS 133 implementation, we are particularly grateful to all this month's contributors for taking the time to share their views with us. Hopefully both treasurers and accountants will have learnt something from each other through this difficult process and can look forward to a future free of unwanted earnings volatility. ■

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