

**Comments on behalf of  
The Association of Corporate Treasurers on:  
*IASB Draft Technical Correction 1***

DTC 1 Proposed amendments to IAS 21 *The effects of changes in foreign exchange rates* Net investment in a Foreign Operation

**This consultation**

These comments are on the record and may be freely quoted. Contact details are provided on the next page.

**Question 1**

Do you agree with the proposals in this draft Technical Correction? If not, why not? What changes do you propose and why?

**Answer 1**

We agree with the proposals and fully support your moves to incorporate the changes proposed as quickly as possible.

There was previously an anomaly in IAS 21 whereby certain exchange differences on monetary items forming part of a net investment in a foreign operation were not reclassified to equity on consolidation merely because the currency of the monetary item was different from the functional currency of the reporting entity and the foreign entity. This was causing P&L gains and losses to be created by internal transactions which was misleading given that no real change was occurring to a group's net worth.

Likewise your clarification that the reclassification to equity can apply across the consolidated group rather than just in respect of items directly with the reporting entity is helpful and one we fully support.

**Question 2**

Do you have any further comments on the proposals?

**Answer 2**

We believe that the Board's consideration of IAS 21 at its June meeting was unduly limited in its scope. There exist other aspects of IAS 21 very closely related to this point which are in need of reconsideration. The issues are centred on the question of what sorts of monetary items are eligible under the para 15 definitions for the reclassification treatment in para 33. We note that you are not seeking comments on matters other than those set out in the draft Technical Correction and accordingly we will take up these points with you in separate correspondence.

## **The Association of Corporate Treasurers (ACT)**

Established in the UK in 1979, The Association of Corporate Treasurers is a centre of excellence for professionals in treasury, including risk and corporate finance, operating in the international marketplace. It has over 3,500 members from both the corporate and financial sectors, and its membership, working in companies of all sizes, includes representatives from 95 of the FTSE 100 companies.

The ACT has 1,500 students in more than 40 countries. Its examinations are recognised by both practitioners and bankers as the global standard setters for treasury education and it is the leading provider of professional treasury education. The ACT promotes study and best practice in finance and treasury management. It represents the interests of non-financial sector corporations in financial markets to governments, regulators, standards setters and trade bodies.

|  |  |
|--|--|
| <p><b>Contacts:</b><br/><b>Richard Raeburn, Chief Executive</b><br/>(020 7213 0734; <a href="mailto:rraeburn@treasurers.co.uk">rraeburn@treasurers.co.uk</a>)<br/><b>John Grout, Technical Director</b><br/>(020 7213 0712; <a href="mailto:jgrout@treasurers.co.uk">jgrout@treasurers.co.uk</a>)<br/><b>Martin O'Donovan, Technical Officer</b><br/>(020 7213 0715; <a href="mailto:modonovan@treasurers.co.uk">modonovan@treasurers.co.uk</a>)</p> | <p>The Association of Corporate Treasurers<br/>Ocean House<br/>10/12 Little Trinity Lane<br/>London EC4V 2DJ<br/><br/>Telephone: 020 7213 9728<br/>Fax: 020 7248 2591<br/>Website: <a href="http://www.treasurers.org">http://www.treasurers.org</a></p> |
|--|--|

*The Association of Corporate Treasurers is a company limited by guarantee in England under No. 1445322 at the above address*