

31 October 2005

ICAEW REP 16/05

Patricia Buchanan
Project Manager
International Accounting Standards Board
30 Cannon Street
London
EC4M 6XH

Dear Ms Buchanan

DRAFT TECHNICAL CORRECTION 1

The Institute of Chartered Accountants in England and Wales welcomes the opportunity to submit comments on Draft Technical Correction 1, *Proposed Amendments to IAS 21*, published by the International Accounting Standards Board ('the Board') for comment in September 2005. The Institute is the largest accountancy body in Europe, with more than 126,000 members operating in all sizes of business, public practice and within the investor community. The Institute operates under a Royal Charter, working in the public interest.

We agree with the technical analysis in the draft Technical Correction and welcome the proposed amendments to IAS 21 *The Effects of Changes in Foreign Exchange Rates*. However, we do not understand the rationale for the proposed amendments to IAS 28 *Investments in Associates*, which is not explained in the Basis for Conclusions. The proposed amendments do not seem to accord with the objective outlined in paragraph BC7, which would seem to require an amendment to paragraph 15B of IAS 21. Thus whilst we agree with the comments in BC7 on associates, we are unable to comment on this aspect of the proposed amendments.

In our letter of comment of 5 October 2005 on the consultation draft, *IASB [Proposed] Policy on Technical Corrections*, we expressed a number of concerns over how the proposed policy might operate in practice. Our support for the Board's proposals was conditional on those concerns being addressed through the introduction of appropriate safeguards. We were therefore concerned to note that the first draft Technical Correction had been published before all of the comment letters on the policy itself had been considered. This is unlikely to improve the perceptions of those who remain critical of the Board's due process. Accordingly, we suggest that the Board makes every effort to assure constituents that the IASB was not committed to adopting the new procedure irrespective of the outcome of the consultation process.

Finally, we note that the draft policy on Technical Corrections proposed that the only issues that should be addressed through the new procedure are (a) issues for which it is

clear that the words in a standard do not properly convey the Board's intention or (b) the unexpected consequences of a standard. We are not sure that the current proposals sit easily within either of these categories. We therefore suggest that the Board reassesses the types of issues to be addressed through Technical Corrections procedure - as suggested in our letter of 5 October - and provides in future in the Basis of Conclusions an explanation of the rationale for issuing each draft Technical Correction. The Board might also wish to consider whether, in view of the nature of this correction, mandating retrospective application by reporting entities that have properly applied the existing requirements of IAS 21 is appropriate.

We would be pleased to discuss any of these points with you.

Yours sincerely



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