

Explanatory Statement

Accounting Standard AASB 2008-8 *Amendments to Australian Accounting* *Standards – Eligible Hedged Items*

August 2008



Australian Government

**Australian Accounting
Standards Board**

EXPLANATORY STATEMENT

Standards Amended by AASB 2008-8

This Standard makes amendments to AASB 139 *Financial Instruments: Recognition and Measurement*.

These amendments arise from the issuance, by the International Accounting Standards Board in July 2008, of amendments to IAS 39 *Financial Instruments: Recognition and Measurement* regarding eligible hedged items.

Main Features of this Standard

Application Date

This Standard is applicable to annual reporting periods beginning on or after 1 July 2009, with early adoption permitted for annual reporting periods beginning on or after 1 January 2005 but beginning before 1 July 2009.

Main Requirements

The amendments to AASB 139 clarify how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation as a hedged item, should be applied in particular situations.

Consultation Prior to Issuing AASB 2008-8

The AASB issued Exposure Draft ED 158 *Proposed Amendments to AASB 139 Financial Instruments: Recognition and Measurement – Exposures Qualifying for Hedge Accounting* in October 2007. ED 158 reproduced the IASB proposals without amendment and invited comments from Australian constituents on the proposed amendments.

The AASB received six submissions that were generally supportive of the need for clarity surrounding the application of hedge accounting principles in certain circumstances, however they raised some concerns regarding the rules-based approach of the IASB proposals that may have resulted in a number of practical application problems.

In its submission to the IASB, the AASB expressed significant concerns with the proposed amendments and suggested alternative approaches that could be adopted to alleviate the concerns. The IASB addressed these concerns and made changes to the proposals in issuing its final Standard.

A Regulation Impact Statement has not been prepared in connection with the issue of AASB 2008-8 as the amendments made do not have a substantial direct or indirect impact on business or competition, are of a minor or machinery nature or clarify existing requirements.