

# The Institute of Public Accountants



**IPA** INSTITUTE OF PUBLIC  
ACCOUNTANTS<sup>®</sup>

26 December 2015

The Chairman  
International Accounting Standards Board  
30 Cannon Street  
London EC4M 6XH  
United Kingdom

Dear Sir

**Draft IFRIC Interpretation DI/2015/2 “Foreign Currency Transactions and Advance Consideration”**

Thank you for the opportunity to comment on Draft IFRIC Interpretation DI/2015/2 “Foreign Currency and Advance Consideration”. The IPA is of the view the proposed Draft Interpretation would clarify the application of IAS 21 “The Effects of Changes in Foreign Exchange Rates” and as such reduce the diversity in practice. The IPA supports the issue of the Interpretation.

Our comments and responses to the questions in the Exposure Draft are set out in the Appendix.

If you would like to discuss our comments, please contact me or our technical advisers Mr Stephen La Greca ([stephenlagreca@aol.com](mailto:stephenlagreca@aol.com)) or Mr Colin Parker ([colin@gaap.com.au](mailto:colin@gaap.com.au)) (a former member of the AASB), GAAP Consulting.

Yours faithfully



Vicki Stylianou  
Executive General Manager, Advocacy & Technical  
Institute of Public Accountants

Cc Chairperson, Australian Accounting Standards Board

**About the IPA**

The IPA is a professional organisation for accountants recognised for their practical, hands-on skills and a broad understanding of the total business environment. Representing more than 35,000 members in Australia and in over 65 countries, the IPA represents members and students working in industry, commerce, government, academia and private practice. Through representation on special interest groups, the IPA ensures the views of its members are voiced with government and key industry sectors and makes representations to Government including the Australian Tax Office (ATO), Australian Securities and Investments Commission (ASIC) and the Australian Prudential Regulation Authority (APRA) on issues affecting our members, the profession and the public interest. The IPA recently merged with the Institute of Financial Accountants of the UK, making the new IPA Group the largest accounting body in the SMP/SME sector in the world.

## Appendix

### Question 1 – Scope

*The draft interpretation addresses how to determine the date of the transaction for the purpose of determining the spot exchange rate used to translate foreign currency transactions on initial recognition in accordance with paragraphs 21-22 of IAS 21. Foreign currency transactions that are within the scope of the draft Interpretation are described in paragraphs 4-6 of the draft Interpretation.*

*Do you agree with the scope proposed in the draft Interpretation? If not, what do you propose and why?*

#### IPA response

The IPA supports the proposed scope of the Draft Interpretation (DI).

### Question 2 – Consensus

*The consensus in the draft Interpretation provides guidance on how to determine the date of the transaction for the purpose of determining the spot exchange rate used to translate the asset, expense or income (or part of it) on initial recognition that relates to, and is recognised on the derecognition of, a non-monetary prepayment asset or a non-monetary deferred income liability (see paragraphs 8-11). The basis for the consensus is explained in paragraphs BC22-BC33. This includes the Interpretations Committee’s consideration of the interaction of the draft Interpretation and the presentation in profit or loss of exchange differences arising on monetary items in accordance with paragraphs 28-29 or IAS 21 (see paragraphs BC32-BC33).*

*Do you agree with the consensus proposed in the draft Interpretation? If not, why and what alternative do you propose?*

#### IPA response

The IPA supports the “one-transaction” approach proposed. However, the IPA is concerned that the in the case of partial consideration received or paid, the entity is exposed to foreign currency risk until settlement. Currently, IAS 21 “The Effects of Changes in Foreign Exchange Rates” does not adequately deal with this exposure and the IPA would suggest the IASB consider a project to address this issue.

### Question 3 – Transition

*On initial application, entities would apply the proposed Interpretation either:*

- (a) retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors; or*
- (b) prospectively to all foreign currency assets, expenses and income in the scope of the proposed Interpretation initially recognised on or after:*
  - (i) the beginning of the reporting period in which an entity first applies the proposed Interpretation; or*

- (ii) *the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which an entity first applies the proposed Interpretation.*

*Do you agree with the proposed transition requirements? If not, what do you proposed and why?*

**IPA response**

While the IPA prefers the application of changes on a retrospective basis, however given the potential complexity of such an approach in these circumstances the IPA reservedly supports the proposed transition requirements proposed.

\*\*\*\*\*