



Press Release

31 July 2008

IASB amends standard to give additional guidance on the designation of a hedged item

The International Accounting Standards Board (IASB) issued today *Eligible Hedged Items* (an amendment to IAS 39 *Financial Instruments: Recognition and Measurement*). The amendment clarifies how the existing principles underlying hedge accounting should be applied in two particular situations.

The International Financial Reporting Interpretations Committee (IFRIC)* asked the IASB to provide additional guidance on what can be designated as a hedged item. The responses to an exposure draft of proposed guidance (published in September 2007) indicated that diversity in practice existed, or was likely to exist, in the designation of:

- (a) a one-sided risk in a hedged item, and
- (b) inflation in a financial hedged item.

The IASB has therefore focused on developing application guidance to illustrate how the principles underlying hedge accounting should be applied in those situations.

Entities are required to apply the amendment retrospectively for annual periods beginning on or after **1 July 2009**, with earlier application permitted.

For further information on the amendment to IAS 39, please visit the project Website on www.iasb.org.

Eligible Hedged Items (Amendment to IAS 39 *Financial Instruments: Recognition and Measurement*) is available for eIFRS subscribers from today. Those wishing to subscribe to

* The IFRIC is the interpretative arm of the International Accounting Standards Board (IASB).

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Printed copies (ISBN 978-1-905590-58-2) will be available shortly, at £10 plus shipping, from the IASC Foundation Publications Department.

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Notes for editors

About the amendment

This project was originally undertaken by the IFRIC, after they received a number of submissions requesting guidance on hedged portions under IAS 39 *Financial Instruments: Recognition and Measurement*. Rather than dealing with these submissions case by case, the IFRIC attempted to develop a principle that could be used to produce guidance on what can be designated as a hedged portion under IAS 39. However, the IFRIC concluded that the requirements of IAS 39 in this area were unclear and referred the project to the IASB.

Although the IASB is undertaking research that will ultimately lead to the replacement of IAS 39 as a whole, that work is at an early stage. The IASB therefore decided to address the requests for additional guidance regarding eligible hedged items in a short-term project. The release today of *Eligible Hedged Items* (Amendment to IAS 39) completes that short-term project.

The amendment does not address the European carve-out option used by a few European companies. This will be addressed separately.

About the IASB

The IASB was established in 2001 and is the standard-setting body of the International Accounting Standards Committee (IASC) Foundation, an independent private sector, not-for-

profit organisation. The IASB is committed to developing, in the public interest, a single set of high quality, global accounting standards that provide high quality transparent and comparable information in general purpose financial statements. In pursuit of this objective the IASB conducts extensive public consultations and seeks the co-operation of international and national bodies around the world. Its 14 members (12 of whom are full-time) are drawn from nine countries and have a variety of professional backgrounds. They are appointed by and accountable to the Trustees of the IASC Foundation, who are required to select the best available combination of technical expertise and diversity of international business and market experience.