

Comment on Exposure Draft of IFRS from Aurangabad Branch

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Dear Sir / Madam,

As per the proposed amendment entity have to add cross references to improve the accessibility and understandability of IFRS Accounting Standards.

Now the question is how? Because

Hedge accounting under IFRS Standards can be challenging due to the intricate documentation and accounting requirements for hedge accounting, which can be onerous.

Changes in commodity markets and the evolution of potential hedging strategies have perpetuated challenges in qualifying for hedge accounting at inception and on an ongoing basis. In addition, there are a number of practical issues that have become more evident as companies have sought to apply IAS 39 (AS 30 in the Indian context). A significant contributor to why this change in accounting for derivative and hedging transactions is critical in India has to do with the fact that traditional accounting for derivatives in India has been based on an off-balance sheet / accrual based model and neither required on-balance sheet recognition of derivatives nor even, for that matter, disclosure of the fair values of these instruments.

Conflicts between economic choices and accounting volatility Indian companies have realised that there are a number of current risk management practices that would not qualify for hedge accounting under the new accounting standards. This realisation is causing a number of companies to review the structures and transaction components used. [The conflict between the objective of ensuring a less volatile income statement and of managing the economic exposures of an entity has been brought sharply into focus](#)

Warm Regards.

CA Ganesh Prakash Bhalerao

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