Date: 14 November 2026

To:
International Accounting Standards Board (IASB)

Subject: Comment Letter – Request for Information: Post-implementation Review of IFRS 9 and IFRS 7 (Hedge Accounting Requirements) [IASB/RFI/2026/1]

Dear Board Members,

On behalf of the **Sonepat Branch**, we welcome the opportunity to comment on the IASB's Request for Information (*Post-implementation Review of IFRS 9 and IFRS 7 – Hedge Accounting Requirements*, published September 2026).

Overall, we agree that the hedge accounting requirements in IFRS 9 have achieved their primary objective of better aligning financial reporting with entities' actual risk management activities. In particular, removing the 80–125% bright-line effectiveness test and permitting the designation of risk components of non-financial items represent significant improvements over IAS 39.

However, based on practical implementation experience, we highlight the following key challenges where ongoing costs and operational complexities exceed initial expectations:

Response to Question 1: Hedge Accounting Requirements in IFRS 9

- **Operational Complexity of Basis Adjustments (IFRS 9, para. 6.5.11(d)):** While conceptually sound, requiring entities to include cash flow hedge reserve gains or losses in the initial carrying amount of non-financial assets—particularly inventory—creates substantial tracking burdens. Many ERP and inventory management systems are not configured to trace hedge adjustments through multiple production stages into Cost of Goods Sold, forcing preparers to rely on complex manual workarounds. We suggest the IASB explore practical expedients or provide illustrative guidance for high-volume inventory environments.
- **Application of the 'Highly Probable' Criterion (IFRS 9, para. 6.3.3):** Demonstrating that forecast transactions remain "highly probable" has become increasingly challenging amid heightened geopolitical uncertainty and supply chain disruptions. Additional application guidance would help reduce diversity in practice when assessing long-term or deal-contingent forecast exposures.
- **'Cost of Hedging' Calculations (IFRS 9, para. 6.5.15–6.5.16):** Separating actual costs of hedging into "aligned" and "non-aligned" components requires parallel valuations and hypothetical derivative modeling that are costly for non-financial corporates. Clearer guidance on constructing hypothetical derivatives would reduce compliance costs and audit friction.

Response to Question 2: Hedge Accounting Disclosures in IFRS 7

- **System Limitations and Audit Costs (IFRS 7, para. 21A–24G):** Ongoing compliance costs for IFRS 7 disclosures remain higher than anticipated. Because standard accounting software rarely automates the granular tabular data required across risk categories, preparers rely heavily on manual spreadsheets, which significantly increases audit verification time and fees.
- **Balancing Granularity and Boilerplate:** To improve decision-usefulness without increasing preparer burden, we recommend streamlining disclosure templates to focus on material risk exposures and avoiding redundant narrative disclosures.

Response to Question 3: Other Matters

- **Transition and Capacity Building:** Should the IASB proceed with the eventual withdrawal of IAS 39 hedge accounting, we urge the Board to provide a generous transition window along with targeted educational materials to support mid-sized enterprises in adapting their treasury and IT systems.

We thank the Board for considering our comments. Please feel free to contact us if you require any clarification on the points raised above.

Yours faithfully,



CA Rajesh Rani
Chairperson
Sonepat Branch