

25 February 2011

Mr Kevin Stevenson  
Chairman  
Australian Accounting Standards Board  
PO Box 204  
Collins Street West  
MELBOURNE VIC 3007

Via email: [standard@asb.gov.au](mailto:standard@asb.gov.au)

Dear Kevin

### ED208 Hedge Accounting

Thank you for the opportunity to comment on the AASB Exposure Draft ED208 *Hedge Accounting*. CPA Australia, The Institute of Chartered Accountants (The Institute) and the National Institute of Accountants (the Joint Accounting Bodies) have jointly considered this invitation to comment and our comments follow.

The Joint Accounting Bodies represent over 190,000 professional accountants in Australia. Our members work in diverse roles across public practice, commerce, industry, government and academia throughout Australia and internationally.

Overall the Joint Accounting Bodies are supportive of the ED as it simplifies hedge accounting, bringing the accounting closer to the entities' risk management strategy. The Board has created a more flexible hedging model which should make hedge accounting easier to assess and apply.

We have highlighted in our attached response specific proposals where further clarity and implementation guidance is required to ensure the context for applying the principles is clear.

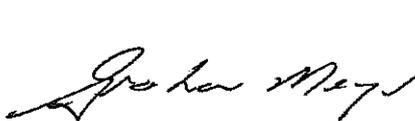
We are disappointed that the IASB has been unable to get support from the United States Financial Accounting Standards Board on the proposals. However we do not see this as an impediment to finalising the standard.

Our response to matters on which specific comment is requested is included in the attached Appendix. Also attached is our submission to the IASB that includes our responses to the specific IASB questions for comment.

Yours sincerely



Alex Malley  
Chief Executive Officer  
CPA Australia Ltd



Graham Meyer  
Chief Executive Officer  
Institute of Chartered  
Accountants in Australia



Andrew Conway  
Chief Executive Officer  
National Institute of  
Accountants

Representatives of the Australian Accounting Profession



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The Institute of  
Chartered Accountants  
in Australia

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The AASB would particularly value comments on the following:

1. **whether, overall, the proposals would result in financial statements that would be useful to users;**

Yes

2. **whether there are any regulatory issues or other issues arising in the Australian environment that may affect the implementation of the proposals, particularly any issues relating to:**
  - (a) **not-for-profit entities; and**
  - (b) **public sector entities;**

There may potentially be an impact on the Australian tax reporting requirements, in those areas where accounting and taxation requirements do link to a certain extent – the Taxation of Financial Arrangements (TOFA) legislation may be an area of linkage. We recommend that the AASB encourage Treasury to discuss the changes with the Australian Taxation Office and convene a discussion group to scope out the potential taxation implications.

We consider that RDR versions of the hedging disclosures should not be released until these are considered by the IASB when the IFRS for SMEs standard is subject to its next review. We do not consider there to be any additional issues regarding the implementation of the proposals relating to not-for-profit entities and public sector entities.

3. **whether there are any implications for GAAP/GFS harmonisation**

The Joint Accounting Bodies do not consider that any significant implications exist for entities subject to GAAP/GFS harmonisations.

4. **whether the proposals are in the best interests of the Australian and New Zealand economies; and**

We consider that the proposals are in the best interests of the Australian and New Zealand economies.

5. **unless already provided in response to specific matters for comment 1 – 4 above, the costs and benefits of the proposals relative to the current requirements, whether quantitative (financial or non-financial) or qualitative.**

The taxation law aspects of the proposals need thorough review, as it could substantially affect the timing of tax payable.