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Mr Kevin Stevenson  
The Chairman  
Australian Accounting Standards Board  
PO Box 204  
Collins Street West  
Victoria 8007

Our ref Submission - Tier 2 ED 208

3 June 2011

Dear Sir

**Submission - Tier 2 Supplement to ED 208**

We are pleased to have the opportunity to comment on the Tier 2 Supplement to ED 208 *Hedge Accounting (proposed amendments to AASB 7)*.

We appreciate the Board's efforts to expedite the process of updating the Tier 2 reporting requirements by requesting comment based on the exposure draft. However, the IASB may make changes to the concepts and principles in the underlying exposure draft upon issuing the final standard. Should this happen, we believe that the AASB should re-expose for comment the disclosures included in the final standard.

**Executive Summary**

We agree with the majority of the reduced disclosures proposed for entities applying Tier 2, however we believe that entities applying Tier 2 should also be exempt from paragraphs 51(c)(i) and 52(b). Our detailed comments are provided in Appendix 1 of this letter.

We would be pleased to discuss our comments with members of the AASB or its staff. If you wish to do so, please contact me on (02) 9335 7630, or Michael Voogt on (02) 9455 9744.

Yours faithfully

Martin McGrath  
Partner In Charge, Department of Professional  
Practice

**Appendix 1 – Tier 2 Supplement to ED 208 *Hedge Accounting (proposed amendments to AASB 7)***

***Whether you agree with the AASB disclosure proposals regarding paragraphs 40-52 of ED 208 in relation to Tier 2 entities as set out in the Analysis of Proposed Disclosures section below***

We do not agree with the AASB proposal not to exempt entities applying Tier 2 from the following paragraphs:

- Paragraph 51(c)(i) - which requires “*for cash flow hedges and hedges of a net investment in a foreign operation: for hedges of net positions, the hedging gains or losses recognised in a separate line item in the income statement...*” and
- Paragraph 52(b) – which requires “*...a reconciliation...that: differentiates between amounts associated with the time value of options that hedge transaction related hedged items and amounts associated with the time value of options that hedge time period related hedged items when an entity accounts for the time value of an option in accordance with paragraph 33...*”

We believe that entities applying Tier 2 should be exempt from both these paragraphs, based on the ‘user need’ and ‘cost benefit’ Tier 2 disclosure principle.

It should also be noted, that if entities applying Tier 2 are exempted from paragraph 51(c)(i), then, paragraph 52(a) will need to be edited accordingly, by removing the reference to paragraph 51(c)(i).