



FLORIDA INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

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International Accounting Standards Board

By Email: [www.ifrs.org](http://www.ifrs.org)

Re: Hedge Accounting

Dear Sirs and/or Madams:

The Accounting Principles and Auditing Standards Committee (the “Committee”) of the Florida Institute of Certified Public Accountants (“FICPA”) has reviewed and discussed the subject Exposure Draft, including the questions posed, and has the following comments related to the questions enumerated below:

1. The Committee agrees with the objective statement but we believe the statement should also include the hedge accounting presentation and disclosure information.
2. The Committee agrees that a non-derivative financial asset and a non-derivative financial liability measured at fair value through profit or loss should be eligible hedging instruments because we believe entities are using these instruments for hedging already and should not be precluded from using them.
3. The Committee agrees that an aggregated exposure which is a combination of another exposure and a derivative may be designated as a hedged item because sometimes the two cannot be separated and entities should account for them as their intended purpose.
4. The Committee agrees that an entity should be allowed to designate as a hedged item in a hedging relationship changes in the cash flows or fair value of an item attributable to a specific risk or risks provided that the risk component is separately identifiable and reliably measurable because we believe it will more closely align hedge accounting with risk management.
5. The Committee agrees that an entity should be allowed to designate a layer of the nominal amount of an item as the hedged item. The Committee also agrees that a prepayment option should not be eligible as a hedged item in a fair value hedge if the option's fair value is affected by changes in the hedged risk.
6. The Committee agrees with the hedge effectiveness requirements as a qualifying criterion for hedge accounting. We believe that it will better show management's intent and the documentation of intent would be required to be disclosed.
7. The Committee agrees that if the hedging relationship fails to meet the objective, an entity should be required to rebalance the hedging relationship. We believe that this strategy will best follow management's overall assessment and intent and will keep the

accounting more consistent if management has kept the objective for the hedging relationship the same. The Committee also agrees that if an entity expects that a designated hedging relationship fails to meet the objective of the hedge effective assessment in the future, it may also proactively rebalance the hedge relationship.

8. The Committee agrees that an entity should discontinue hedge accounting prospectively and reassess risk management strategy only when the hedging relationship ceases to meet the qualifying criteria. The Committee also agrees that an entity should not have the option of discontinuing hedge accounting for a hedging relationship that still meets the risk management objective because this would provide for better consistency in management and reporting.
9. The Committee agrees that for a fair value hedge the gain or loss on the hedging instrument and the hedged item should be recognized in other comprehensive income with the ineffective portion of the gain or loss transferred to profit or loss because it shows better accounting for the different objectives. We agree that the gain or loss on the hedged item attributable to the hedged risk should be presented as a separate line item in the statement of financial position, if material. We agree that linked presentation should not be allowed for fair value hedges and a better presentation would be to have them separated because there could be a different timing recognition.
10. The Committee agrees that for transaction related hedged items, the change in fair value of the option's time value accumulated in other comprehensive income should be reclassified in accordance with the general requirements. We agree that for period related hedged items, the part of the aligned time value that relates to the current period should be transferred from accumulated other comprehensive income to profit or loss on a rational basis. We believe this provides for better accounting and relates to the current period. We agree that the accounting for the time value of options should only apply to the extent that the time value relates to the hedged item because this would allow the accounting to remain consistent.
11. The Committee agrees with the criteria for the eligibility of groups of items as a hedged item because we see no difference in the accounting and it follows the way it is being managed.
12. The Committee agrees that for a hedge of a group of items with offsetting risk positions that affect different line items in the income statement, any hedging instrument gains or losses recognized in profit or loss should be presented in a separate line from those affected by the hedged items. We believe this provides for matching with the group and being consistent with other accounting principles.
13. The Committee agrees with the proposed disclosure requirements because it provides for good transparency in financial reporting. The Committee believes that if an entity is going to account for the hedging in accordance with their risk strategy, they should also disclose their risk strategy and the rebalancing strategy if applicable. The disclosure should include how an entity is managing the hedging strategy and how often.
14. No comment
15. The Committee agrees that all of the three alternative accounting treatments (other than hedge accounting) to account for hedges of credit risk using credit derivatives would add unnecessary complexity to accounting for financial instruments. The Committee believes it should be its own standard.
16. The Committee agrees that the proposed transition requirement should be implemented prospectively.

The Committee appreciates this opportunity to respond to this Exposure Draft. Members of the Committee are available to discuss any questions or concerns raised by this response.

Respectfully submitted,

Steven Bierbrunner, CPA, Chair  
FICPA Accounting Principles and Auditing Standards Committee

Committee member coordinating this response:

Helen Y. Painter, CPA  
John Young, C.P.A.