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Technical Director  
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**Proposed Accounting Standards Update: Derivatives and Hedging (Topic 815) *Targeted Improvements to Accounting for Hedging Activities***

The California Society of CPA's ("CalCPA") Accounting Principles and Assurance Services Committee (the "Committee") is the senior technical committee of CalCPA. CalCPA has approximately 43,500 members. The Committee consists of 55 members, of whom 45 percent are from local or regional firms, 32 percent are from large multi-office CPA firms, 12 percent are sole practitioners in public practice, 6 percent are in academia and 5 percent are in international firms. Members of the Committee are with CPA firms serving a large number of public and nonpublic business entities, as well as many non-business entities such as not-for-profits, pension plans and governmental organizations.

The Committee commends the Board for its efforts to permit entities to report its hedging activities more in line with the economics of the transactions and its risk management activities. In addition, the Committee agrees that the proposed changes in disclosure and presentation better portray the economic results of the entity's risk management activities in its financial statements. The Committee does not have any specific suggestions for changes to the proposed update.

The Committee also commends the Board in its efforts to simplify the accounting principles applicable to hedge accounting. However, the Committee believes that the guidance, even after considering the proposed update, is difficult to read and understand, principally because of the array of hedging transactions that are addressed. The Committee continues to believe that hedging guidance particular to small business entities and not-for-profit organizations, and the hedging transactions typically entered into by these entities, would be useful as a part of comprehensive standards applicable to such entities.

We thank you for the opportunity to comment on this matter. We would be glad to discuss our opinions with you further should you have any question or require additional information.

Sincerely,

A handwritten signature in black ink, appearing to read "A.J. Major III". The signature is written in a cursive style with a horizontal line underneath the name.

A.J. Major III  
Chair  
Accounting Principles and Assurance Services Committee  
California Society of Certified Public Accountants