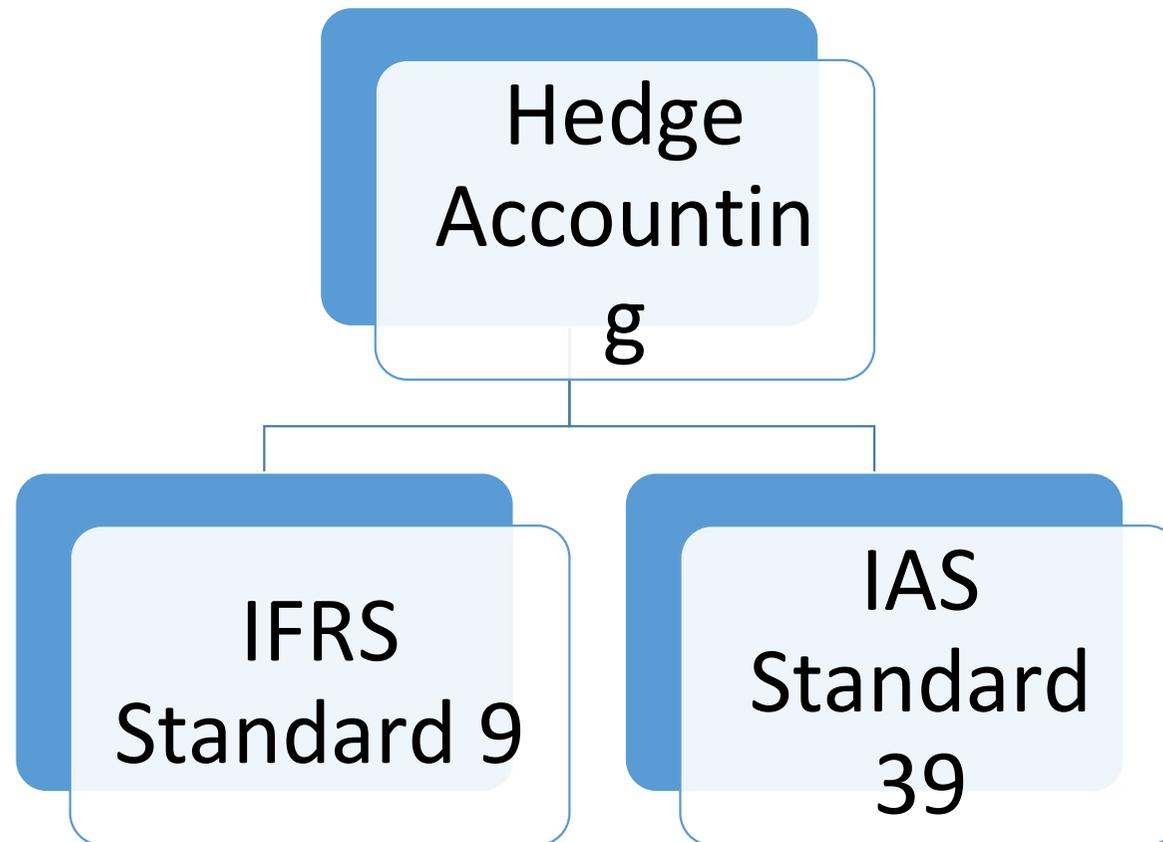


The title "Hedge Accounting" is centered within a light blue rounded rectangle. This rectangle is layered on top of a darker blue rounded rectangle, creating a layered effect. The text is in a bold, black, sans-serif font.

Hedge Accounting

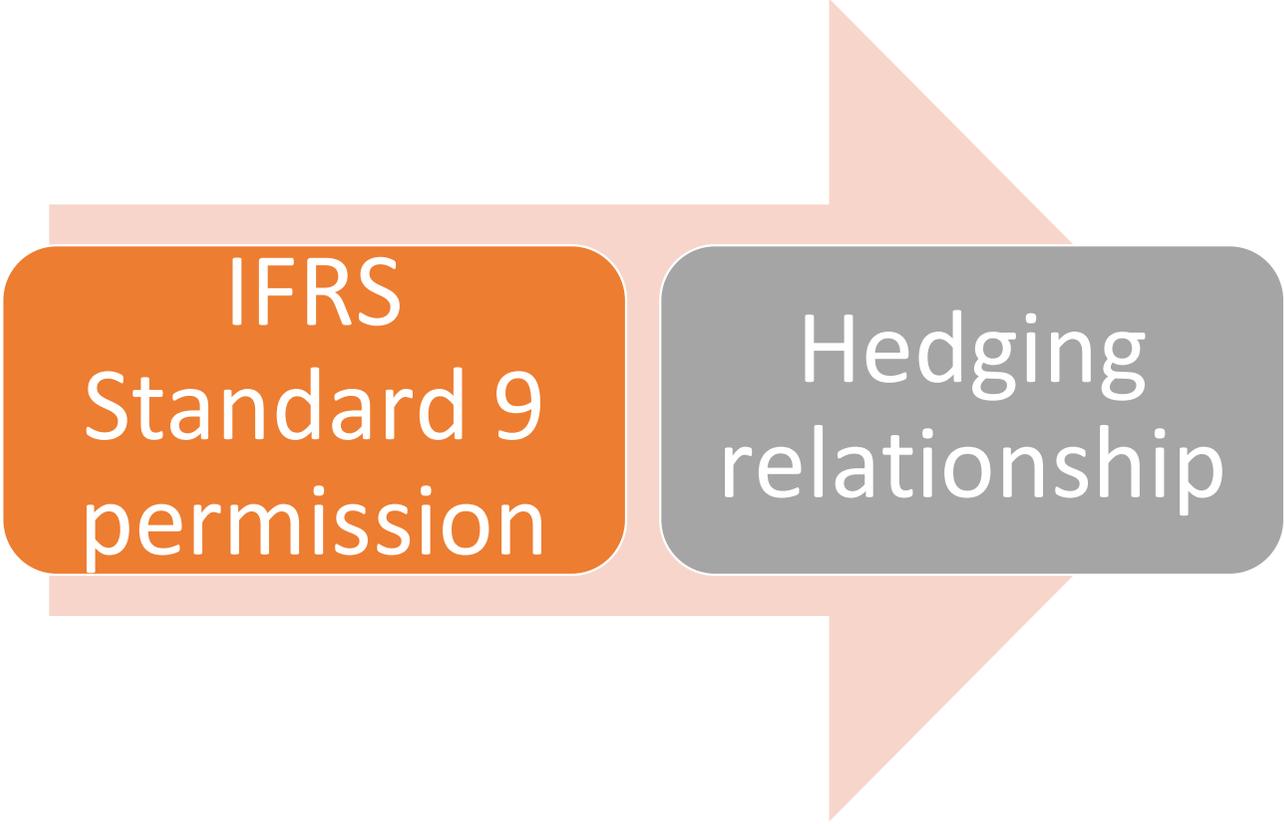
Hedge
Accountin
g

IFRS
Standard 9



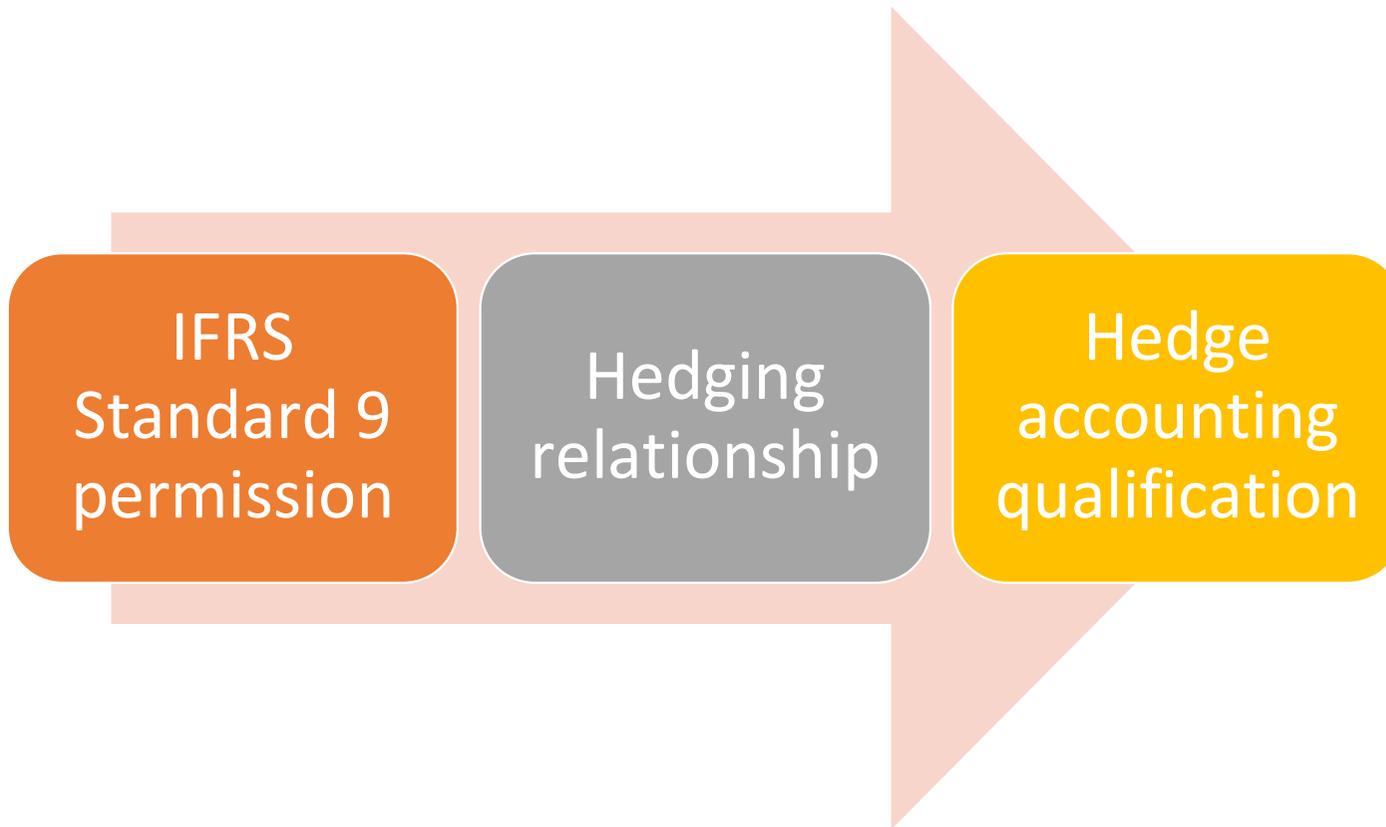


IFRS Standard 9
permission



IFRS
Standard 9
permission

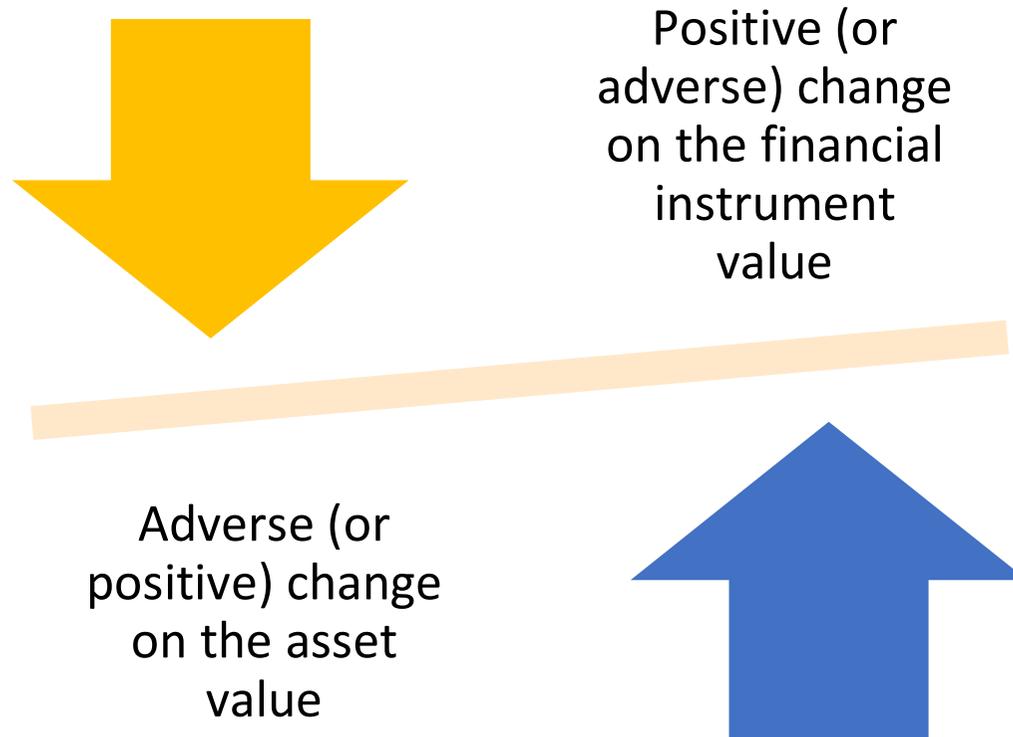
Hedging
relationship

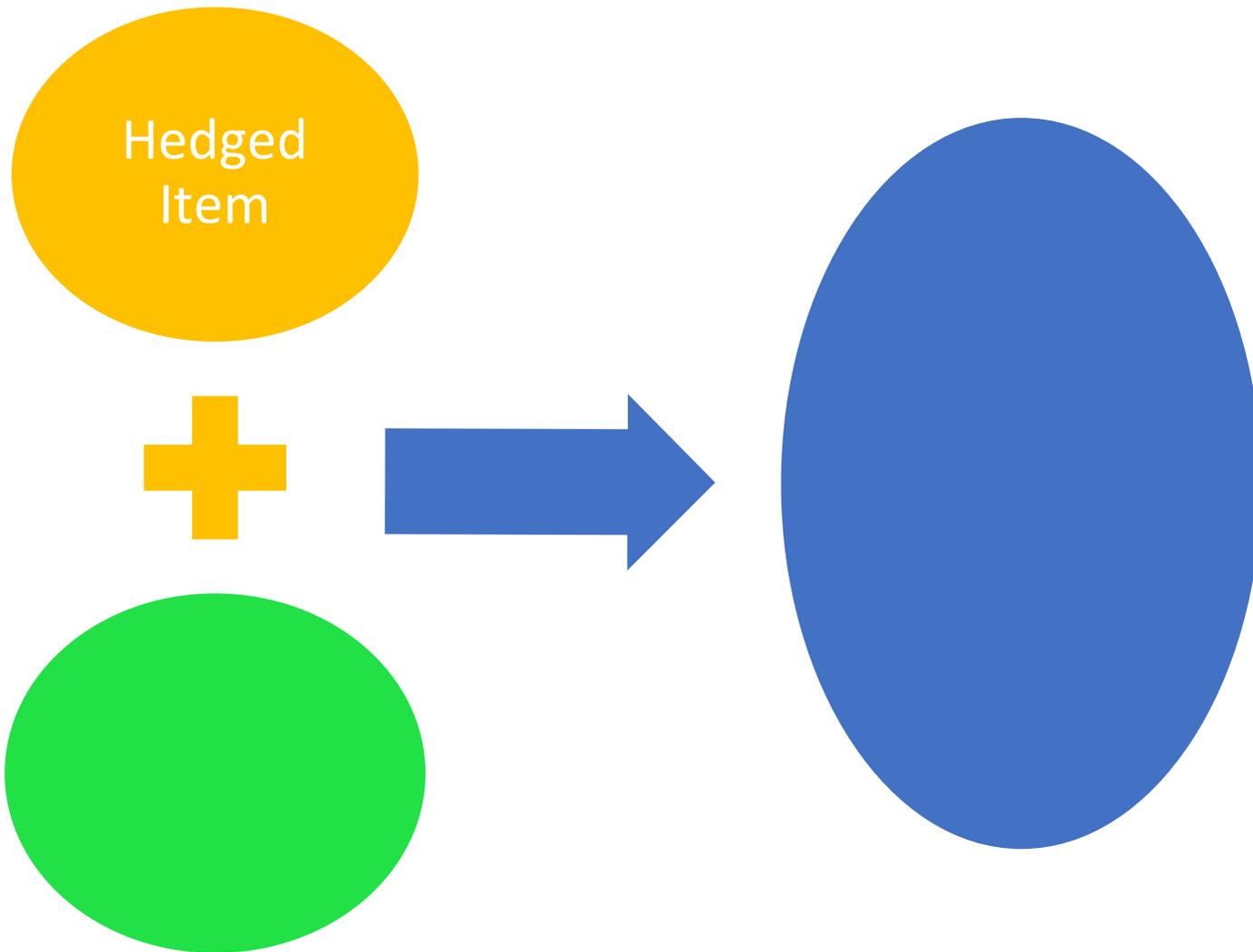


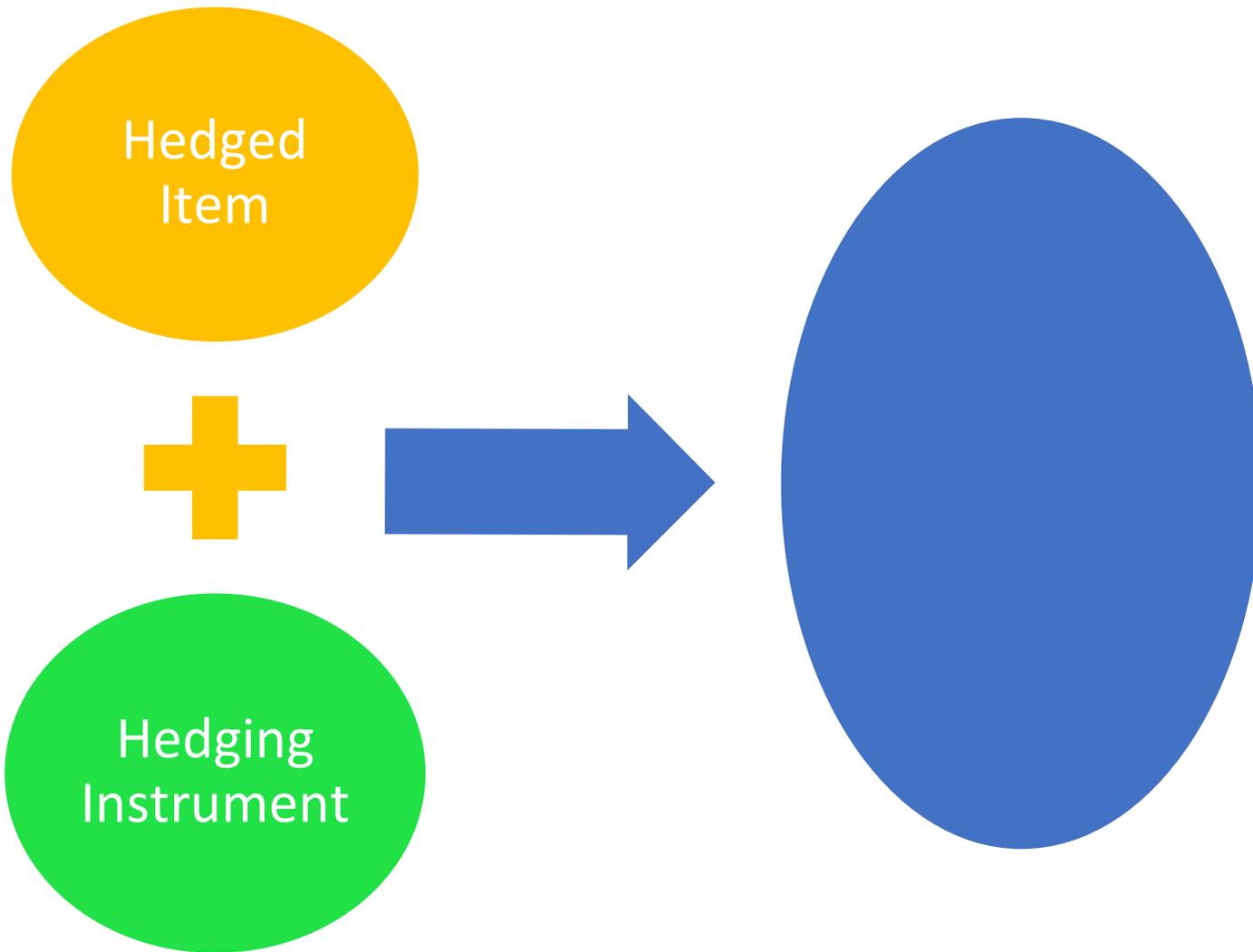
IFRS
Standard 9
permission

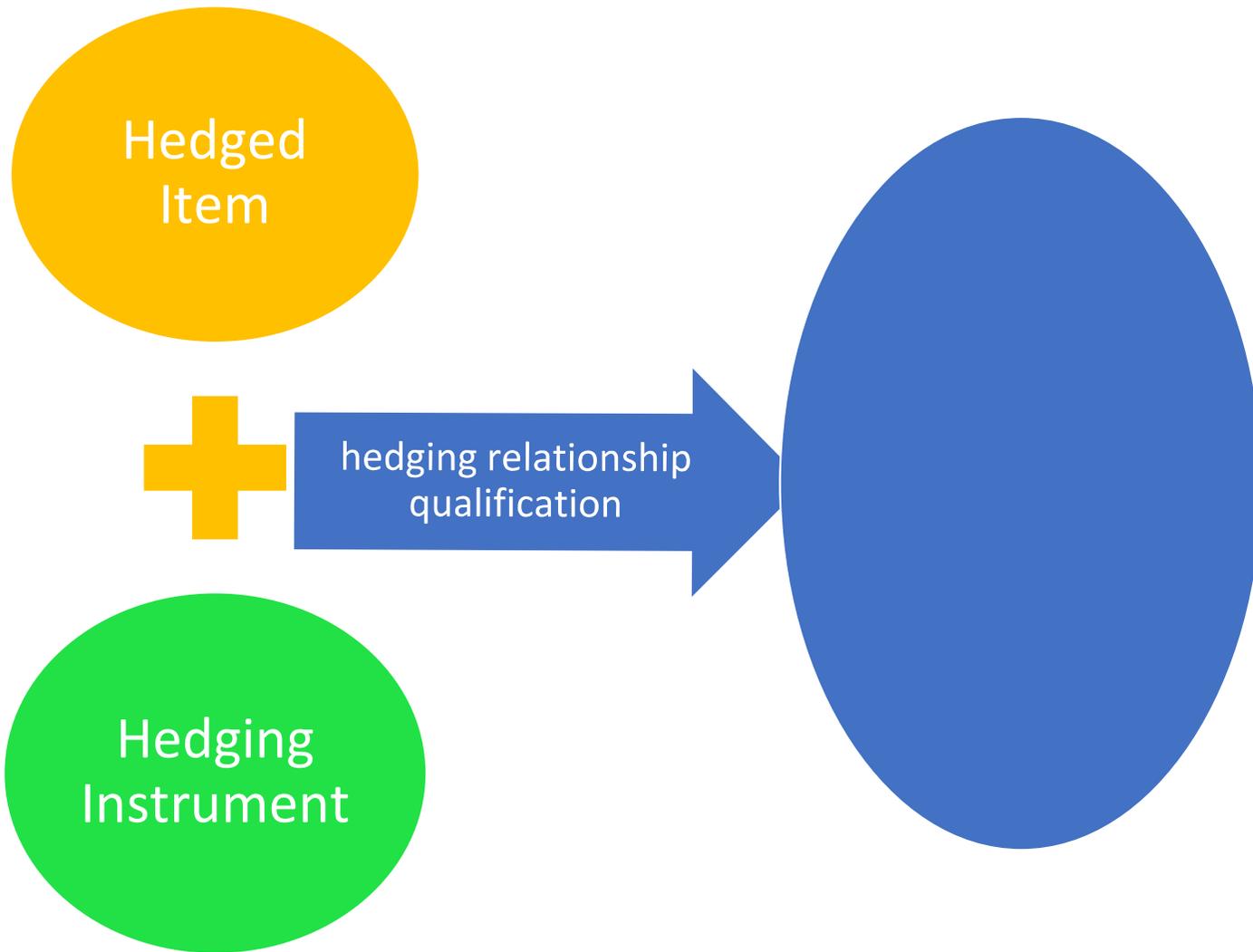
Hedging
relationship

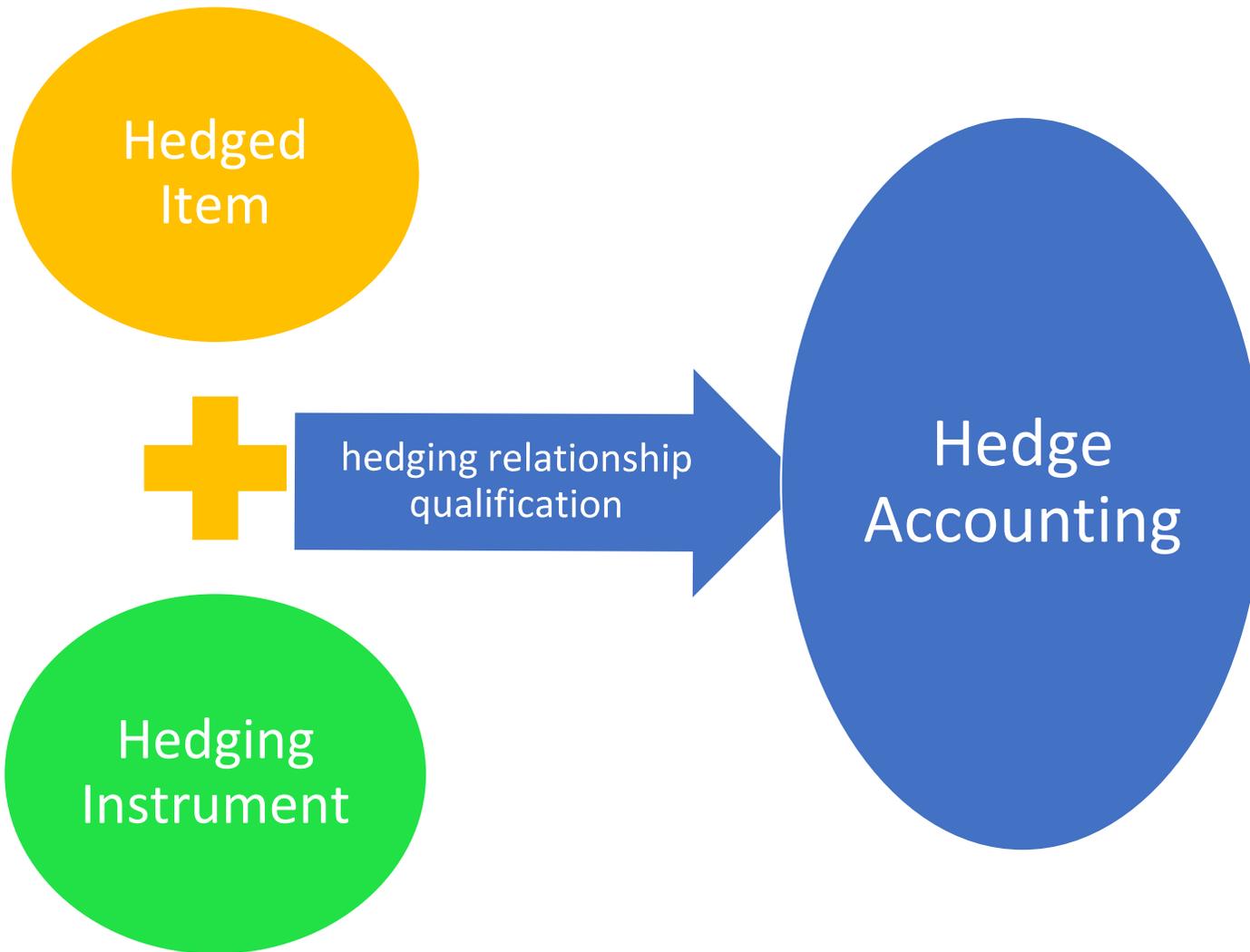
Hedge
accounting
qualification











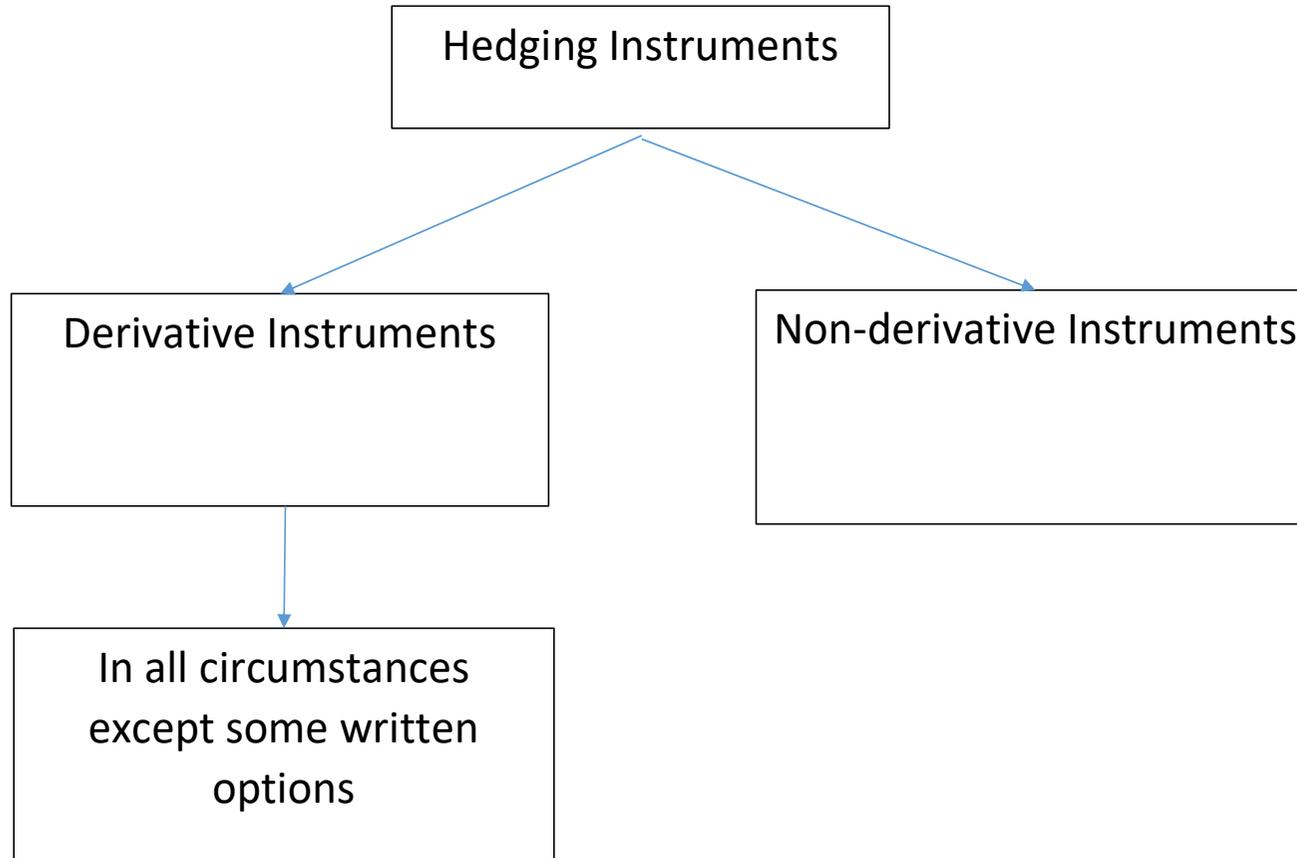
Hedging Instruments

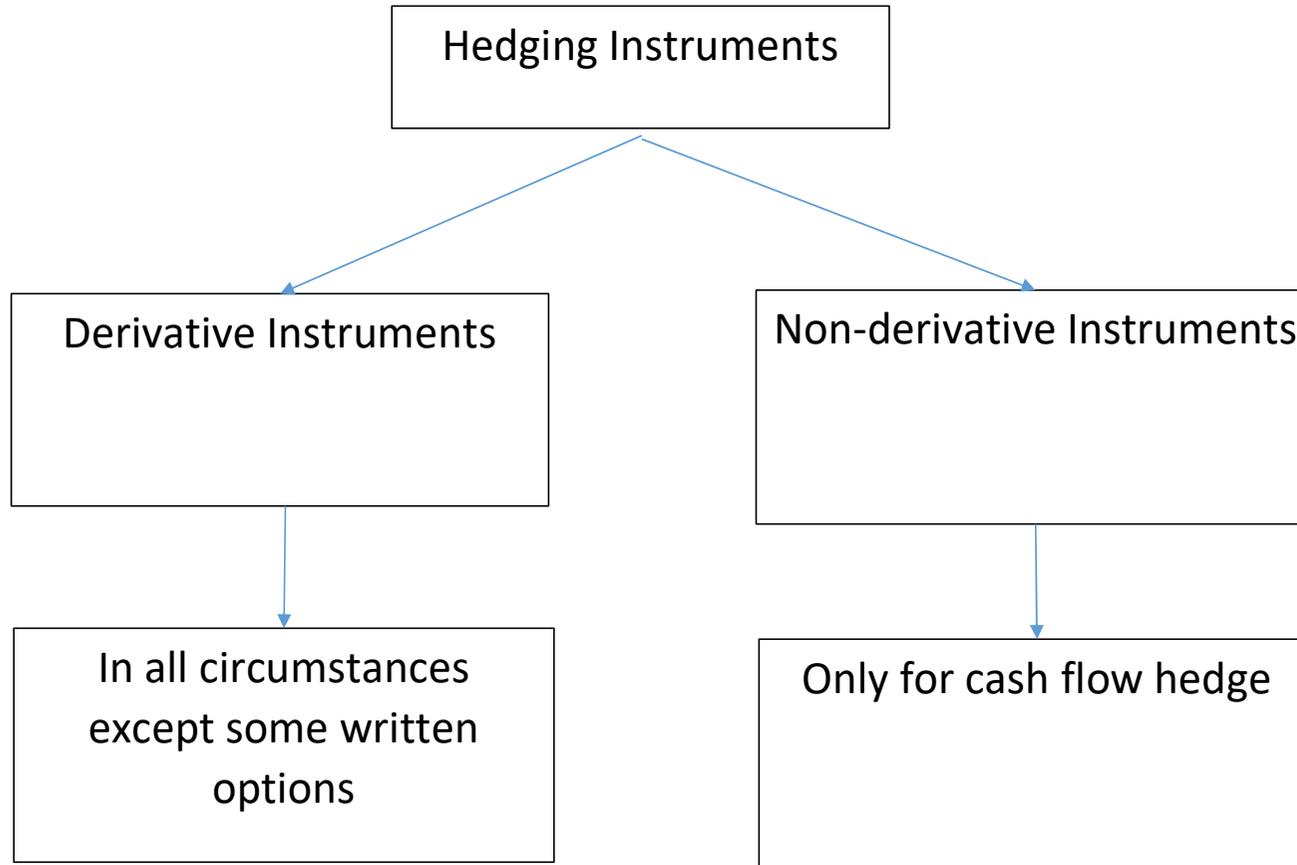
Hedging Instruments

```
graph TD; A[Hedging Instruments] --> B[Derivative Instruments]; A --> C[Non-derivative Instruments];
```

Derivative Instruments

Non-derivative Instruments





HEDGE ACCOUNTING

HEDGE ACCOUNTING

```
graph TD; A[HEDGE ACCOUNTING] --> B[Fair Value Hedge]
```

Fair Value Hedge

HEDGE ACCOUNTING

```
graph TD; A[HEDGE ACCOUNTING] --> B[Fair Value Hedge]; A --> C[Cash Flow Hedge];
```

Fair Value Hedge

Cash Flow Hedge

HEDGE ACCOUNTING

```
graph TD; A[HEDGE ACCOUNTING] --> B[Fair Value Hedge]; A --> C[Cash Flow Hedge]; A --> D[Net Investment Hedge];
```

Fair Value Hedge

Cash Flow Hedge

Net Investment Hedge

Fair Value Hedge

- Fair value hedge is the hedge of exposures resulting from fair value changes of a recognized asset or liability or unrecognised firm commitment or an identified portion thereof.

Fair Value Hedge

- Fair value hedge is the hedge of exposures resulting from fair value changes of a recognized asset or liability or unrecognised firm commitment or an identified portion thereof.
- In a fair value hedge, gain or loss originating from both the hedging instrument and the hedged item is associated with the statement of profit or loss.

Cash Flow Hedge

A cash flow hedge is made due to the variability of cash flows. These cash flows are:

- attributable to a particular risk associated with a recognised asset or liability (such as all or some future interest payments on variable rate debt) or a highly probable forecast transaction
- could affect profit or loss

Cash Flow Hedge

A cash flow hedge is made due to the variability of cash flows. These cash flows are:

- attributable to a particular risk associated with a recognised asset or liability (such as all or some future interest payments on variable rate debt) or a highly probable forecast transaction
- could affect profit or loss

In cash flow hedge, changes in the value of the hedging instrument are not reported in profit and loss. These are deferred by reporting in other comprehensive income (OCI). Deferred gains and losses are transferred to profit and loss in the same period as gains and losses arising from the hedged item.

Net Investment Hedge

An entity may have a foreign operation such as a:

- subsidiary
- associate
- joint venture
- branch

The financial statements of these foreign operations should be translated into group's presentation currency. This may lead to a currency risk which the entity will want to hedge.

Net Investment Hedge

An entity may have a foreign operation such as a:

- subsidiary
- associate
- joint venture
- branch

The financial statements of these foreign operations should be translated into group's presentation currency. This may lead to a currency risk which the entity will want to hedge.

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, shall be accounted for in a manner that is similar to cash flow hedges

EXAMPLE

On October 1, 2021, entity ABC purchased goods on credit for CUX 10,000. ABC Co.'s functional currency is CUY. ABC Co. considers that it is exposed to foreign exchange risk related to this four-month maturity liability. ABC Co. signed a four-month forward contract on October 1 to hedge this risk. On October 1, 2021, CUX 1 = CUY 7.00. With the forward contract, ABC Co. has the right to receive CUX 10,000 at the rate of CUX 1 = CUY 8.00 on February 1, 2022.

The CUX/CUY rate was as follows on the relevant dates.

December 31, 2021 current rate CUX 1 = CUY 7.70

December 31, 2021 forward rate CUX 1 = CUY 8.50

February 1, 2022 current rate CUX 1 = CUY 9.00

EXAMPLE

Accounting for hedging item	Accounting for hedging instrument

EXAMPLE

Accounting for hedging item	Accounting for hedging instrument
October 1, 2021 Dr. Inventory 70,000 Cr. Accounts Payable 70,000	

EXAMPLE

Accounting for hedging item	Accounting for hedging instrument								
<p data-bbox="253 491 499 523">October 1, 2021</p> <table data-bbox="253 534 1115 624"><tr><td data-bbox="253 534 667 574">Dr. Inventory</td><td data-bbox="674 534 1115 574">70,000</td></tr><tr><td data-bbox="253 582 667 624">Cr. Accounts Payable</td><td data-bbox="674 582 1115 624">70,000</td></tr></table>	Dr. Inventory	70,000	Cr. Accounts Payable	70,000	<p data-bbox="1135 491 1382 523">October 1, 2021</p> <table data-bbox="1135 534 1989 624"><tr><td data-bbox="1135 534 1550 574">Dr. Forward Receivables</td><td data-bbox="1579 534 1989 574">160,000</td></tr><tr><td data-bbox="1135 582 1550 624">Cr. Forward Payables</td><td data-bbox="1579 582 1989 624">160,000</td></tr></table>	Dr. Forward Receivables	160,000	Cr. Forward Payables	160,000
Dr. Inventory	70,000								
Cr. Accounts Payable	70,000								
Dr. Forward Receivables	160,000								
Cr. Forward Payables	160,000								

EXAMPLE

Accounting for hedging item	Accounting for hedging instrument
October 1, 2021 Dr. Inventory 70,000 Cr. Accounts Payable 70,000	October 1, 2021 Dr. Forward Receivables 160,000 Cr. Forward Payables 160,000
December 31, 2021 Dr. Loss on Exchange Rate 7,000 Cr. Accounts Payable 7,000	

EXAMPLE

Accounting for hedging item	Accounting for hedging instrument
October 1, 2021 Dr. Inventory 70,000 Cr. Accounts Payable 70,000	October 1, 2021 Dr. Forward Receivables 160,000 Cr. Forward Payables 160,000
December 31, 2021 Dr. Loss on Exchange Rate 7,000 Cr. Accounts Payable 7,000	December 31, 2021 Dr. Forward Receivables 10,000 Cr. Gain on Forward 10,000

EXAMPLE

Accounting for hedging item	Accounting for hedging instrument								
<p>October 1, 2021</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Dr. Inventory</td> <td style="width: 40%; text-align: right;">70,000</td> </tr> <tr> <td style="padding-left: 20px;">Cr. Accounts Payable</td> <td style="text-align: right;">70,000</td> </tr> </table>	Dr. Inventory	70,000	Cr. Accounts Payable	70,000	<p>October 1, 2021</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Dr. Forward Receivables</td> <td style="width: 40%; text-align: right;">160,000</td> </tr> <tr> <td style="padding-left: 20px;">Cr. Forward Payables</td> <td style="text-align: right;">160,000</td> </tr> </table>	Dr. Forward Receivables	160,000	Cr. Forward Payables	160,000
Dr. Inventory	70,000								
Cr. Accounts Payable	70,000								
Dr. Forward Receivables	160,000								
Cr. Forward Payables	160,000								
<p>December 31, 2021</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Dr. Loss on Exchange Rate</td> <td style="width: 40%; text-align: right;">7,000</td> </tr> <tr> <td style="padding-left: 20px;">Cr. Accounts Payable</td> <td style="text-align: right;">7,000</td> </tr> </table>	Dr. Loss on Exchange Rate	7,000	Cr. Accounts Payable	7,000	<p>December 31, 2021</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Dr. Forward Receivables</td> <td style="width: 40%; text-align: right;">10,000</td> </tr> <tr> <td style="padding-left: 20px;">Cr. Gain on Forward</td> <td style="text-align: right;">10,000</td> </tr> </table>	Dr. Forward Receivables	10,000	Cr. Gain on Forward	10,000
Dr. Loss on Exchange Rate	7,000								
Cr. Accounts Payable	7,000								
Dr. Forward Receivables	10,000								
Cr. Gain on Forward	10,000								
<p>February 1, 2022</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Dr. Loss on Exchange Rate</td> <td style="width: 40%; text-align: right;">13,000</td> </tr> <tr> <td style="padding-left: 20px;">Cr. Accounts Payable</td> <td style="text-align: right;">13,000</td> </tr> <tr> <td style="padding-top: 20px;">Dr. Accounts Payable</td> <td style="text-align: right; padding-top: 20px;">90,000</td> </tr> <tr> <td style="padding-left: 20px;">Cr. Cash</td> <td style="text-align: right;">90,000</td> </tr> </table>	Dr. Loss on Exchange Rate	13,000	Cr. Accounts Payable	13,000	Dr. Accounts Payable	90,000	Cr. Cash	90,000	
Dr. Loss on Exchange Rate	13,000								
Cr. Accounts Payable	13,000								
Dr. Accounts Payable	90,000								
Cr. Cash	90,000								

EXAMPLE

Accounting for hedging item	Accounting for hedging instrument										
<p>October 1, 2021</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Dr. Inventory</td> <td style="text-align: right; width: 40%;">70,000</td> </tr> <tr> <td style="padding-left: 20px;">Cr. Accounts Payable</td> <td style="text-align: right;">70,000</td> </tr> </table>	Dr. Inventory	70,000	Cr. Accounts Payable	70,000	<p>October 1, 2021</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Dr. Forward Receivables</td> <td style="text-align: right; width: 40%;">160,000</td> </tr> <tr> <td style="padding-left: 20px;">Cr. Forward Payables</td> <td style="text-align: right;">160,000</td> </tr> </table>	Dr. Forward Receivables	160,000	Cr. Forward Payables	160,000		
Dr. Inventory	70,000										
Cr. Accounts Payable	70,000										
Dr. Forward Receivables	160,000										
Cr. Forward Payables	160,000										
<p>December 31, 2021</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Dr. Loss on Exchange Rate</td> <td style="text-align: right; width: 40%;">7,000</td> </tr> <tr> <td style="padding-left: 20px;">Cr. Accounts Payable</td> <td style="text-align: right;">7,000</td> </tr> </table>	Dr. Loss on Exchange Rate	7,000	Cr. Accounts Payable	7,000	<p>December 31, 2021</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Dr. Forward Receivables</td> <td style="text-align: right; width: 40%;">10,000</td> </tr> <tr> <td style="padding-left: 20px;">Cr. Gain on Forward</td> <td style="text-align: right;">10,000</td> </tr> </table>	Dr. Forward Receivables	10,000	Cr. Gain on Forward	10,000		
Dr. Loss on Exchange Rate	7,000										
Cr. Accounts Payable	7,000										
Dr. Forward Receivables	10,000										
Cr. Gain on Forward	10,000										
<p>February 1, 2022</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Dr. Loss on Exchange Rate</td> <td style="text-align: right; width: 40%;">13,000</td> </tr> <tr> <td style="padding-left: 20px;">Cr. Accounts Payable</td> <td style="text-align: right;">13,000</td> </tr> </table>	Dr. Loss on Exchange Rate	13,000	Cr. Accounts Payable	13,000	<p>February 1, 2022</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Dr. Forward Receivables</td> <td style="text-align: right; width: 40%;">10,000</td> </tr> <tr> <td style="padding-left: 20px;">Cr. Gain on Forward</td> <td style="text-align: right;">10,000</td> </tr> </table>	Dr. Forward Receivables	10,000	Cr. Gain on Forward	10,000		
Dr. Loss on Exchange Rate	13,000										
Cr. Accounts Payable	13,000										
Dr. Forward Receivables	10,000										
Cr. Gain on Forward	10,000										
<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Dr. Accounts Payable</td> <td style="text-align: right; width: 40%;">90,000</td> </tr> <tr> <td style="padding-left: 20px;">Cr. Cash</td> <td style="text-align: right;">90,000</td> </tr> </table>	Dr. Accounts Payable	90,000	Cr. Cash	90,000	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Dr. Forward Payables</td> <td style="text-align: right; width: 40%;">160,000</td> </tr> <tr> <td style="padding-left: 20px;">Dr. Cash</td> <td style="text-align: right;">20,000</td> </tr> <tr> <td style="padding-left: 20px;">Cr. Forward Receivables</td> <td style="text-align: right;">180,000</td> </tr> </table>	Dr. Forward Payables	160,000	Dr. Cash	20,000	Cr. Forward Receivables	180,000
Dr. Accounts Payable	90,000										
Cr. Cash	90,000										
Dr. Forward Payables	160,000										
Dr. Cash	20,000										
Cr. Forward Receivables	180,000										

EXAMPLE

	Gains and Losses as of December 31	Gains and Losses as of February 1	Total
Hedging item	(7,000)	(13,000)	(20,000)
Hedging instrument	10,000	10,000	20,000
Total	3,000	(3,000)	



PASSFR.EU

A Digital Learning Platform for Generation Z:
Passport to IFRS®



Co-funded by the
Erasmus+ Programme
of the European Union