



Accounting for Derivatives & Hedging

In this three-day, revised and updated course, participants learn to recognize and distinguish between fair value and cash flow hedges, and to apply FAS 133 and amendments to the accounting for qualifying hedges. Beginning with an overview of derivatives and their uses as hedging instruments, the course progresses from the fundamental applications of hedge accounting treatment to more complex applications of FAS 133 and its amendments. Group discussions, short examples and case problems illustrate and apply the concepts of hedging and hedge accounting.

Available Session(s):

15-Sep-2008 -- 17-Sep-2008	New York	USD \$3275
NY Institute of Finance - Midtown	9:00am - 4:30pm	Mon Tue Wed
Instructor(s):[Marc Cherney;]		
17-Nov-2008 -- 19-Nov-2008	Chicago	USD \$3275
NY Institute of Finance - Chicago	9:00am - 4:30pm	Mon Tue Wed
Instructor(s):[Marc Cherney;]		

Targeted Audience

Corporate accountants, analysts, consultants, regulators, auditors, and others who seek a fundamental, yet comprehensive understanding of FAS 133 and its amendments.

Special Offer

Clients who register for this course will receive a complimentary 6 month subscription to the Financial Times and FT.com. The Financial Times is the world's most respected financial newspaper providing a broad assessment on finance, business and the industrial sector. Subscriptions will start within 6-8 weeks of the application process, and are limited to one per client. For questions about your subscriptions call 800-628-8088 or email uscirculation@ft.com. US and Canada enrollees only. Lunch included for all students taking day classes.

Advance Preparation

No advance preparation required.

Prerequisites

A fundamental understanding of GAAP accounting principles. A basic understanding of commonly-used derivatives for hedging purposes (forwards, futures, swaps, and options) is also helpful.

Learning Objectives

Students will be able to:

- Describe the major causes of recent derivatives scandals
- Identify the major types of derivatives used in hedging
- Describe the basic rules of accounting for derivatives
- Differentiate between speculation and hedging for accounting purposes
- Describe various strategies for hedging price risk
- Design an effective hedge that qualifies for hedge accounting treatment
- Explain the impact of derivatives on current period earnings and OCI
- Describe how a company might assess hedge effectiveness
- Describe the disclosure requirements for derivatives
- Identify and account for fair value and cash flow hedges
- Describe the accounting & disclosure requirements for a discontinued hedge
- Describe the nature and purpose of an interest rate swap
- Account for derivatives used as hedges against interest rate risk
- Explain the rules for accounting for foreign currency hedges
- Account for a new investment in a foreign operation
- Identify and account for embedded derivatives
- Identify items that qualify for exclusion from FAS 133 rules
- Discuss emerging issues and recent guidance
- Identify key differences between FAS 133 and IAS 39
- Identify major accounting & control methods for derivatives

Alumni Comments

"Thorough coverage of the material outlined"

"Key concepts were well-delivered"

Level: Basic

CPE Credits: 21.5

Instructional Method: Group-Live

Detailed Outline

DAY ONE

DAY TWO

Introduction to Derivatives

- Nature and Purpose of Derivatives
- Examples of Common Derivatives
- Infamous Derivatives Scandals
- Put and Call Options
- Forwards and Futures Contracts
- Uses of Derivatives: Speculation vs. Hedging
- Designing an Effective Hedge

Accounting for Derivatives

- Purpose of Hedge Accounting
- Advantages of Hedge Accounting
- Qualifying for Hedge Accounting
- Hedging Designations: Fair Value vs. Cash Flow Hedges
- Firm Commitments vs. Anticipated Transactions
- Assessing & Documenting Hedge Effectiveness
- Accounting for Hedge Ineffectiveness
- Documentation and Disclosure
- Accounting for a Discontinued Hedge

Fair Value Hedges

- Characteristics of a Fair Value Hedge
- Common Types of Fair Value Hedges
- Impact on Current Period Earnings
- Exposed Assets & Liabilities as Fair Value Hedges
- Firm Commitments as Fair Value Hedges
- Impact of a Discontinued Hedge
- Designing an Effective Fair Value Hedge

Cash Flow Hedges

- Characteristics of a Cash Flow Hedge
- Common Types of Cash Flow Hedges
- Impact on Current Period Earnings
- Cash Flow Hedges of Forecasted Transactions
- Impact of a Discontinued Hedge
- Designing an Effective Cash Flow Hedge

Interest Rate Swaps

- Economics of Interest Rate Swaps
- Interest Rate Swaps as Fair Value Hedges
- Interest Rate Swaps as Cash Flow Hedges
- Accounting for Interest Rate Swaps
- Qualifying for the Short-Cut Method of Accounting
- Testing for Hedge Effectiveness
- Designing an Effective Interest Rate Swap
- Cash Flow Hedge of Mortgage Portfolio using Basic Swap

Interest Rate Risk

- Bond Prices and Interest Rates
- Role of Duration in Hedging
- Interest Rate Futures and Options
- Designing an Effective Interest Rate Hedge
- Cash Flow Hedge of Anticipated Issuance of Debt
- Cash Flow Hedge of Anticipated Purchase of Securities
- Cash Flow Hedge of Interest Income using Floor Contract

Foreign Currency Hedges

- Reasons for Foreign Currency Hedges
- Types of Foreign Currency Hedges
- Designing an Effective Foreign Currency Hedge
- Cash Flow Hedges of Foreign Currency Receivables & Payables
- Cash Flow Hedge of Foreign Currency Debt
- Hedging Foreign Currency Debt using Currency Swaps
- Fair Value Hedge of a Firm Purchase Commitment
- Cash Flow Hedge of a Forecasted Transaction
- Hedge of a Net Investment in Foreign Operations

DAY THREE

Embedded Derivatives

- Hybrid Financial Instruments
- Definition of Embedded Derivatives
- Identifying Embedded Derivatives
- Valuing an Embedded Derivative
- Bifurcation Tests
- Accounting for Embedded Derivatives

Exceptions & Exclusions

- Normal Purchases & Normal Sales
Exclusion
- Insurance Contracts
- Financial Guarantees
- Contracts Involving Company Stock
- Contingent Considerations
- Other Scope Exceptions

Current Developments and Trends

- Latest Guidance on FAS 133
Implementations Issues
- New and Proposed Accounting
Standards affecting FAS 133
- Comparison with International
Accounting Standards
- Internal Controls over Derivatives
Trading & Hedging Programs

Comprehensive Case Problem

Open Forum

For more information regarding administrative policies such as complaints and refunds, please contact our offices at 212-641-6616.