Accounting for Hedges of Recognized Foreign Denominated Assets & Liabilities Self-Study Webinar (1.5 Hours)

SA39723I
SA397

Self Study Webcast
Dec 20 - Dec 21
Overview:
Many companies use derivatives to hedge their foreign currency exposure. The most obvious foreign currency exposures to hedge are balance sheet items, such as foreign denominated receivables and payables, cash or other short-term assets or liabilities. These items are often hedged with forward or date-window forward contracts. ASC 830 requires foreign denominated assets and liabilities to be recorded on the balance sheet at the current spot rate, and changes in value to be recognized on the income statement in the same line where the hedging contract is recognized. In this program, we will:

- Review the interest rate parity theorem and determination of forward rates
- Summarize ASU 2017-12: *Targeted Improvements to Accounting for Hedging Activities*
- Discuss accounting for foreign currency forward contracts

Objective:
To update financial professionals on the accounting for hedges of recognized foreign denominated assets and liabilities.
Detailed Learning Objectives [1]

Emphasis:

- Covered Interest Rate Parity
  – How forward rates are determined and calculated
  – Domestic and foreign rates
  – Balance sheet foreign exchange hedging
- ASU 2017-12: *Targeted Improvements to Accounting for Hedging Activities*
  – Amendments to:
    – Align hedge accounting with a company's risk management activities
    – Eliminate the concept of ineffectiveness
    – Clarify all changes in fair value for derivatives that qualify as hedging instruments
    – Introduce "qualitative" and "quantitative" approaches to effectiveness testing
    – Expand interest rate risk that can be hedged from benchmark to "contractually specified" rates
- Accounting for:
  – Fair value forward contract
  – Cash flow forward contract
  – Effectiveness based on changes in spot rates
  – Effectiveness based on changes in forward rates

• Identify the circumstances under which a foreign currency is most likely trading at a forward premium

• Identify the methodology for the measurement of assets and liabilities denominated in a foreign currency under Topic 830

• Recognize the methodology available to an entity to manage its exposure to the exchange risk of an asset or liability denominated in a foreign currency

• Identify the gain or loss recognized on a forward contract when an entity hedges a foreign denominated liability designated as a FV hedge

• Identify the accounting treatment of a change in FV of a current forward contract when an entity hedges a foreign denominated liability designated as a CF hedge

• Recognize potential problems with accounting for hedging contracts

Bottom**Prerequisite:**
Basic knowledge of financial instruments and financial accounting and reporting.

Preparation:
No advance preparation required.

Level of Knowledge:
Overview.

NASBA & State Sponsor Information | Policies, Terms & Conditions