

Accounting for Financial Market Products & Derivatives

2 Days

COURSE OVERVIEW

The introduction of IAS39 has added a number of new complexities into the Financial Accounting landscape. This course will address the issues that currently exist and aim to equip the participants with the skills to ask the right questions as well understand the issues as they present themselves.

Topics covered will include IAS 39, Hedge Accounting, Financial Instruments, Net Present Value and Understanding Financial Statements. Participants will also analyze the various types of financial markets products, corresponding derivatives, along with their accounting, credit and associated risks.

The course will be a mix of theory and practical exercises.

LEVEL

Intermediate

WHAT WILL I GET OUT OF IT?

- Understand the issues surrounding IAS 39 and practical accounting issues
- Detail the different methods available by which to account for financial products and derivatives
- Understand the concepts relating to the time value of money and hedge accounting
- Apply the concepts of Held to Maturity, Available for Sale and Trading Securities
- Be able to look at financial statements and understand the issues they raise in a practical and logical manner
- Distinguish between a fair value, cash flow and ineffective hedges and apply the appropriate valuation methodology and process the relevant entries
- Be conversant with the respective product life cycles and to process the relevant entries
- Understand and appreciate that both standards are not just disclosure standards

WHO'S IT FOR?

- Management & Financial Accountants
- Treasury Accountants
- Analysts
- Auditors
- Risk Management personnel

- Consultants

COURSE CONTENT

Day 1

Introduction

- Definitions of Financial instruments and derivatives
- Derivative categories
- Other financial instrument categories and treatments
- History and Background to the standard
- US Standards (FASB 133)

Accounting Principles for Non-hedge Transactions

- Recognition values
- Revaluations and income consequences
- Impacts on equity and reserve accounts

Recognition and De-recognition of Hedge Transactions

- Recognition of fair value and when
- Treatment on balance sheet (Asset or Liability?)

Time Value of Money

- Issues in Measurement and Valuation
- Fair value: A definition
- Getting fair value
- Determining amortized value

Day 2

Recap

Accounting for Futures: Measurement and Valuation

- Product and cash flow description
- Fair value Calculation
- Accounting Entries

Accounting for FRAs and Swaps: Measurement and Valuation

- Product and cash flow description
- Fair value Calculation
- Accounting Entries

Accounting for Options and Swaptions: Measurement and Valuation

- Product and cash flow description
- Fair value Calculation
- Accounting Entries

Accounting for Simple Exotic Derivative Structures: Measurement and Valuation

- Product and cash flow description
- Fair value Calculation
- Accounting Entries

Accounting for Foreign Exchange: Measurement and Valuation

- Product and cash flow description
- Fair value Calculation
- Accounting Entries

Accounting Principles and Hedge Accounting

- What is a hedge?
- Relationship between hedged risk and the hedging instrument
- Defining 'effective' hedges
- Consequences of ineffectiveness
- Fair value hedges
- Cash flow hedges
- Defining and accounting for hedge discontinuation

Treatment of Exotic and Embedded Derivatives

- Definition & Introduction

Course Summary & Conclusion