

# Accounting for Derivatives and Hedging

## Course Description

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A derivative is a financial instrument or other contract that derives its value from the movement of prices, interest rates, or exchange rates associated with an underlying item. Uncertainty about the future fair value of assets and liabilities or about future cash flows exposes firms to risk. One way to manage the risk associated with fair value and cash flow fluctuations is through the use of derivatives. The derivatives and hedging guidance codified in ASC 815, Derivative Instruments and Hedging Activities is considered as one of the challenging areas in GAAP due to its extensiveness and complexity.

This course provides an accountant-friendly overview of derivative instruments and hedge accounting. It discusses derivatives, including the definition of a derivative, scope exceptions to ASC 815, types of risks, accounting requirements, and guidance on embedded derivatives. It addresses the requirements for applying hedge accounting and the specific requirements for fair value hedges, cash flow hedges, and net investment hedges. It also discusses the presentation and disclosure requirements. Finally, the course identifies special situations such as servicing of financial assets and mortgage servicing rights.

**Completion Deadline & Exam:** This course, including the examination, must be completed within one year of the date of purchase. In addition, unless otherwise indicated, no correct or incorrect feedback for any exam question will be provided.

**Course Level:** Advanced.

**CPE Credits:** 3 (CPA)

**Field of Study:** Accounting

**Prerequisite:** GAAP Accounting

**Advanced Preparation:** None

## Course Learning Objectives

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After completing this course, you should be able to:

1. Identify the attributes of conventional and derivative financial instruments.
2. Recognize the criteria to qualify for hedge accounting.
3. Identify the accounting requirements for different derivatives and the related disclosure requirements.