Derivatives & Hedging for Accountants

Course Description

A derivative is a financial product that derives its value based on an underlying asset, liability or other variable (such as an interest rate, foreign currency or commodity price). Derivatives have become very popular tools for "hedging" (i.e. reducing) financial risk; they have also become an increasingly standard item on big companies' balance sheets. Yet understanding how they work, what they are used for and how they can affect the bottom line of a business has proven to be a significant challenge for the accounting and auditing industries. This course provides an "accountant-friendly" overview of financial risk management and derivative instruments. This overview focuses on the various types of risk that impact financial markets today, as well as the four major categories of derivatives commonly used to hedge these risks (i.e. forwards, futures, swaps and options).

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: Overview. This program is appropriate for professionals at all organizational levels.
CPE Credits: 5 (CPA)
Category: Finance
Prerequisite: None.
Advanced Preparation: None

Course Learning Objectives

Chapter 1: Introduction to Derivatives and Hedging

1. Identify the various types of risk that impact financial markets.
2. Recognize proper financial risk management practices.
3. Identify the tools used to manage financial risk.

Chapter 2: Forwards

1. Identify the unique characteristics of forward contracts.
2. Recognize appropriate hedging practices using forward contracts.

3. Calculate the payoff from a forward contract.
4. Calculate forward prices and describe the effects of arbitrage on forward pricing.

Chapter 3: Futures

1. Describe the differences between futures and forwards.
2. Identify the mechanics of futures exchanges.
3. Calculate futures daily margin requirements.
4. Recognize the financial and operational risks associated with using futures contracts as hedging tools.

Chapter 4: Swaps

1. Identify the unique characteristics of swap agreements and recognize the differences between the various types of swaps.
2. Calculate swap settlement amounts.
3. Recognize appropriate hedging practices using swaps.

Chapter 5: Options

1. Identify the unique characteristics of option contracts.
2. Recognize the differences between option contracts and other types of derivative products.
3. Recognize appropriate hedging practices using option contracts.
4. Calculate the payoff from an option contract.