



## Heads Up

# New Hedge Accounting Guidance under IFRS 9

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#### “In summary”

The International Accounting Standards Board (IASB) announced the completion of a package of amendments to the accounting requirements for financial instruments under IFRS 9. The amendments:

- a) bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements;
- b) allow the changes to address the so-called ‘own credit’ issue that were already included in IFRS 9 Financial Instruments to be applied in isolation without the need to change any other accounting for financial instruments; and
- c) remove the 1 January 2015 mandatory effective date of IFRS 9, to provide sufficient time for preparers of financial statements to make the transition to the new requirements. Mandatory effective date will only be established once the ‘impairment’ part of the project is finalised. Early application is however still permitted\*

The hedge accounting requirements under IFRS 9 are introduced in response to criticism of IAS 39 which was often viewed as too stringent and not capable of reflecting risk management policies. The new hedge accounting model, set forth in Chapter 6 of IFRS 9, significantly differs from the IAS 39 hedge accounting model in a number of respects, including the following:

- Eligibility of hedging instruments
- Eligibility of hedged items, including hedging risk components, synthetic hedges and net positions
- Accounting for the time value component of options and forward contracts, which will reduce profit and loss volatility
- Qualifying criteria for applying hedge accounting being more closely aligned with risk management activities
- Modification and discontinuation of hedging relationships
- Enhanced disclosures

*\*Please note that Australian entities cannot early adopt these amendments until the Australian Accounting Standards Board (AASB) issues equivalent amendments (most likely after the next AASB meeting (11-12 December 2013)).*

## Relevant Links

- [IASB announcement](#)
- [IASB press release](#)
- [IASB high level summary](#)
- [IFRS in Focus — Hedge accounting reforms: A closer reflection of risk management](#) (Overview of the IASB's guidance on hedge accounting)
- [IAS Plus news](#) (Summary of the changes, background information and links to all relevant documents)
- [Heads Up — IFRS 9 gets a new hedge accounting model](#)
- **IFRS – Industry insights**  
(Implications of the new IFRS 9 general hedge accounting model in particular industries)
  - [Energy and resources industry implications of the new IFRS 9 general hedge accounting model](#)
  - [Financial services industry implications of the new IFRS 9 general hedge accounting model](#)
  - [Consumer business industry implications of the new IFRS 9 general hedge accounting model](#)
  - [Manufacturing industry implications of the new IFRS 9 general hedge accounting model](#)
  - [Retail industry implications of the new IFRS 9 general hedge accounting model](#)
  - [Travel industry implications of the new IFRS 9 general hedge accounting model](#)
- [Podcasts](#) (a series of video podcast interviews on the latest amendment to IFRS 9 Financial Instruments to incorporate the new general hedge accounting model)

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