HMRC - CFM24300 - Accounting For Derivatives Under IFRS, New UK GAAP And FRS 26

This guidance applies for IFRS, New UK GAAP and FRS 26 under Old UK GAAP.

Accounting for derivatives

IAS 39 under IFRS (and FRS 101), Section 12 of FRS 102 and FRS 26 under Old UK GAAP require all derivatives within their scope to be measured at fair value in the balance sheet at each reporting state.

In general, profits and losses arising on these contracts are recognised in profit or loss, apart from when the derivative is designated as a cash flow or net investment hedge and hedge accounting applies. Where the derivative is designated as a fair value hedge, the hedged item is adjusted for the fair value risk being hedged which also reduces the net volatility recognised in profit or loss. See CFM27000 for guidance on hedge accounting.

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