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Методичне забезпечення бухгалтерського обліку операцій з інструментами та об'єктами хеджування

Стаття присвячена формуванню методичного забезпечення бухгалтерського обліку операцій хеджування. Запропоновано визнавати фінансові інструменти за вартістю придбання в позабалансовому обліку, а витрати, пов'язані з операцією, обліковувати на рахунку витрат майбутніх періодів до моменту визнання витрат та доходів за операціями з інструментами хеджування. Розглянуто особливості придбання і використання інструментів хеджування за їх видами і проаналізовано їх вплив на оцінку та відображення на рахунках бухгалтерського обліку. Обґрунтовано доцільність здійснення переоцінки об'єктів хеджування на окремому рахунку «Переоцінка об'єктів хеджування», відкритому в розрізі основного рахунку для бухгалтерського обліку об'єктів хеджування. Визнання зміни справедливої вартості інструментів хеджування в складі фінансових доходів і витрат з врахуванням поділу на ефективну і неефективну частини вартості фінансових інструментів забезпечує дотримання принципів бухгалтерського обліку та фінансової звітності, а також формування достовірної інформації для груп зацікавлених користувачів. Сформовано методичне забезпечення облікового відображення операцій хеджування на рівні, необхідному для прийняття управлінських рішень з метою ефективного планування, аналізу, контролю діяльності підприємства.

Ключові слова: хеджування, фінансові інструменти, об'єкти хеджування, бухгалтерський облік, управління ризиками.

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Методическое обеспечение бухгалтерского учета операций с инструментами и объектами хеджирования

Статья посвящена формированию методического обеспечения бухгалтерского учета операций хеджирования. Предложено признавать финансовые инструменты по стоимости приобретения в забалансовом учете, а расходы, связанные с операцией, учитывать на счете расходов будущих периодов до момента признания расходов и доходов по операциям с инструментами хеджирования. Рассмотрены особенности приобретения и использования инструментов хеджирования по их видам и проанализировано их влияние на оценку и отражение на счетах бухгалтерского учета. Обоснована целесообразность осуществления переоценки объектов хеджирования на отдельном счете "Переоценка объектов хеджирования", открытом в разрезе основного счета для бухгалтерского учета объектов хеджирования. Признание изменения справедливой стоимости инструментов хеджирования в составе финансовых доходов и расходов с учетом деления на эффективную и неэффективную части стоимости финансовых инструментов обеспечивает соблюдение принципов бухгалтерского учета и финансовой отчетности, а также формирования достоверной информации для групп заинтересованных пользователей. Сформировано методическое обеспечение учета операций хеджирования на уровне, необходимом для принятия управленческих решений с целью эффективного планирования, анализа, контроля деятельности предприятия.

Ключевые слова: хеджирование, финансовые инструменты, объекты хеджирования, бухгалтерский учет, управление рисками.

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Methodical Support for Accounting of Operations with Hedging Instruments and Items

The article is devoted to formation of methodical support for accounting of hedging operations. It is proposed to identify the financial instruments by the purchase value in the off-balance accounting, and the expenses connected with the operation – to represent on the account of deferred charges till the moment the expenses and incomes from the operations with hedging instruments are identified. The features of purchase and use of the hedging instruments are discussed concerning their types, and their effect is analyzed on assessment and representation on the bookkeeping accounts. It is shown that it is reasonable to reassess the hedging items on the separate account 'Reassessment of hedging items' opened within the main account for accounting of the hedging items. If the change of the hedging item fair value is considered to be within financial incomes and expenses in view of the division into efficient and inefficient parts of financial instrument value, then the principles of accounting and financial reporting are complied with, and the true information is given to the groups of the users concerned. The methodical support is drawn up for accounting representation of the hedging operations on the level required for management decision-taking in more efficient planning, analysis, control of company operations.

Keywords: hedging, financial instruments, hedging items, accounting, risk management.

Problem statement. In order to achieve set goals and objectives companies use different methods of risk management. One of the most difficult in implementation and effective in performance methods is business hedging. With the help of hedging enterprises are able not only to stabilize cash flow, but increase business strategic competitiveness. They can also be engaged in forecasting and planning of activities, taking into account the variability of economic indexes, form economically reliable accounting indexes, and represent actual results to users.

Employment of price risk management can not only reduce price risks, but also releases resources of the entity and helps management personnel to focus on the business aspects in which the company has competitive advantages. Thus, hedging as one of the most effective risk management techniques of economic activity increases capital, reduces resource exploitation expenses and stabilizes enterprise income.

Receipt of positive results from the implementation of hedging strategies at the enterprise depends on the management system effectiveness. Therefore, each entity must provide development of reliable, complete and clear information in the accounting system. This is the basis of obtaining reasonable results in economic analysis, monitoring economic activity and making effective management decisions.

Development of reliable, clear and full information support is the reason for positive trends acquisition in the implementation of risk hedging. Therefore, the issue of price risk management displayed in accounting hedging operations is relevant and open for survey. In fact, accounting system is a main information

source for the management of enterprise business activity.

The complexity of accounting hedging risks operation is associated with hedging performance peculiarities, which is characterized by urgency and derivativeness of instruments and objects. Hedging is also related to risks, which, in turn, are 'focused on future', but accounting deals with operations, that have already taken place ('focus on the past').

Analysis of recent researches and publications. The basis of the study on accounting hedging were works of Ukrainian – K.V. Boyko [2], N.K. Vasylenko [8], B.A. Замлинський [9], V.S. Zdrenyk [10], L.O. Prymostka [5], A.O. Shuliko [6] and Russian scientists – M.Y. Anikeev [1], A.V. Plotnikova [4], V.A. Tochylova [7] and others. However, most scientific papers are devoted to issues of accounting reflection of hedging instruments (in particular exchange and over the counter instruments). Due to the unsettled legal regulation of issues of accounting for hedging, problems of instruments' and hedged items' assessment as well as reflection of derivative financial instruments in balance sheet accounts are required for scientific substantiation. Solution of these issues will facilitate the creation of reliable and complete information support in accounting for the relevant decision-making in control system of business activity risks.

The aim of the paper is the formation of methodical maintenance of accounting for hedging. According to the target goal such directions of accounting improvement in relation to risk hedging operation are pointed out:

– display of hedging process as a complex of transactions, which are jointed by economic content;

- display of future events and contractual relations on financial instruments;
- the disclosure of qualitative and quantitative data about the enterprise activity in the accounting system to meet the needs of risk management.

The main material exposition. Identification of risk affects the information accuracy that emerges in the accounting system. Therefore, in Fig. 1 the development process of risk management informational support in terms of accounting method elements is illustrated (documentation, assessment, accounts and reporting).

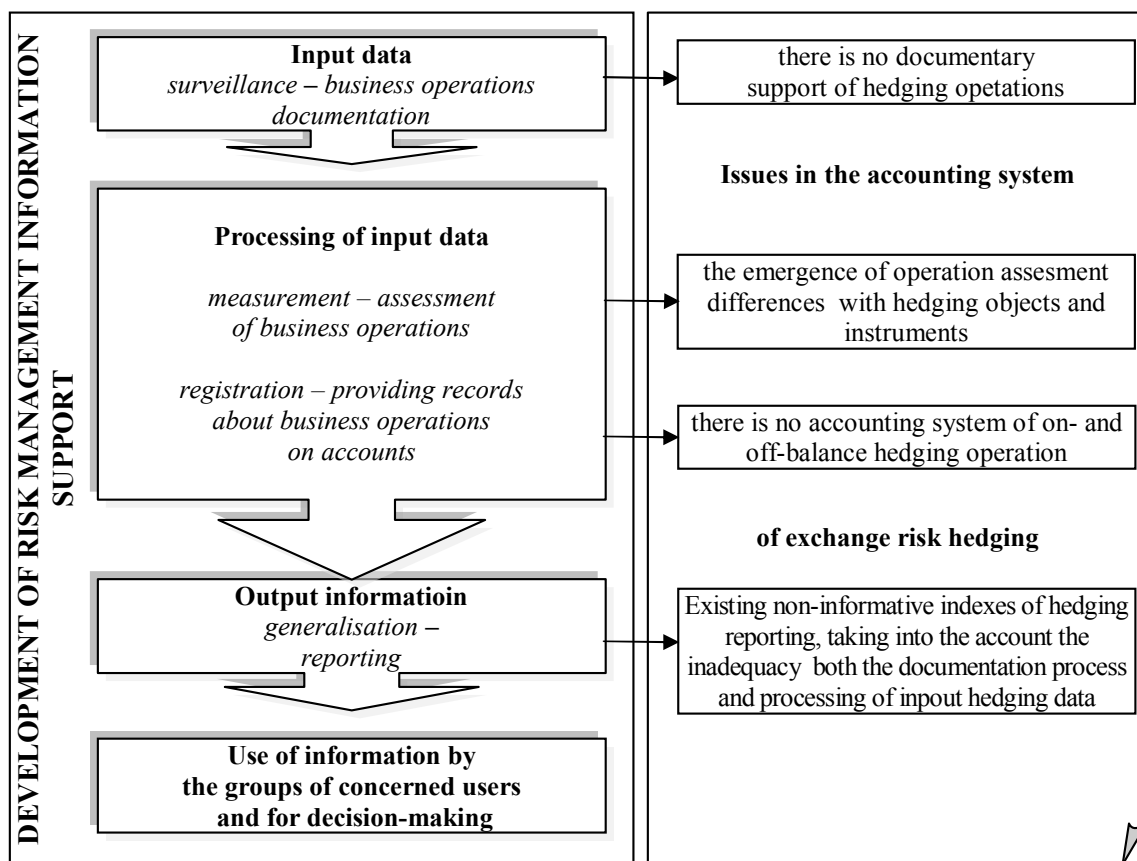


Fig. 1. Identification of topical accounting issues in the process of exchange risk hedging

Source: Author's Original Work.

According to the stages of information development the indeterminate topical issues on accounting assurance of exchange hedging operations are pointed out. They exist in terms of documentation, evaluation, display on the accounts and development of report indexes.

Pointed topical issues of hedging operations in accounting require a research and scientifically reasonable resolution in order to create a valid and complete infirmational support for entity management. That will help to create the conditions for sustainable entity development in terms of reasonable management decision opportunity of strategic and operative research.

On the ground of pointed issues about accounting display of risk hedging operations (operations with d-instrument and hedging objects) were formed interconnected **tasks** that will provide them a comprehensive and scientifically valid solution:

- timely recognition of hedging instruments at the agreement conclusion moment (purchase of financial instruments) and elimination of valuation differences

during the operations with hedging items and instruments;

- development of synthetic accounting hedging instrument systems as a part of financial assets, liabilities and the hedging items.

Thus, if the company uses the provisions of current legislation in order to make an accounting display of hedging operations, there is a situation distorion of financial and economic status in the system of entity management. It is, therefore, necessary to improve the existing procedure of accounting hedging operations through the development of synthetic and analytical accounts, as well as the proposals assignation on the procedure of these operations evaluation order.

One of the tasks for the development of valid information support of hedging process is a timely recognition of hedging instruments at the contract conclusion moment and the certain hedging items of cash flow. They are planned agreements with a high probability of iimplementation.

Without prejudice to the analyzed results of scientific researches, we note that the solution of financial instruments display (including pointed problems and tasks set in research), should be considered:

- in terms of their types dividing to derivative and non-derivative;
- in conjunction with hedging items;
- having regard to the rules of recognition and display in the accounting in relation to income and expenditure of the entity.

Such approach is reasonable and necessary for a comprehensive and systematic result in hedging process accounting.

The study proved and systematized scientific results on the improvement of methodological support of hedging operation accounting display in the context of the tasks set:

1. *Timely recognition of hedging instruments at the conclusion of the agreement (purchase financial instruments) and elimination of valuation differences operations with objects objects and instruments.*

According to legislative documents at both international and national levels, it is determined that the derivative financial instruments must be fairly evaluated at initial recognition. This value can be also increased by

the cost of expenses for the acquisition of hedging instruments.

Hedging instruments when purchased have a zero cost and the entity incurs expenses related to the service. This can be provided by a third party, which deals with execution and conduction of operations with financial instruments. Therefore, we believe that at the purchase stage the financial instrument is impractical to recognise in the balance accounting. After all, when the instrument is purchased, it is not possible to reliably estimate its value as an accounting object, which is contrary to the principles of the single monetary meter, prudence and substance over form overrepresentation.

Costs directly associated with the purchase of a financial instrument should be recognized in the accounting as deferred expenses. This approach will ensure compliance with the principle of allowance and accordance of incomes and expenses. It explains the expedience of recognition and cancellation of expense and income from transactions with financial instruments in the same reporting period, and provides a display in accounting and reporting of accurate and complete information.

Fig. 2 shows the procedure of initial assessment and recognition at the accounts of the financial instrument purchase.

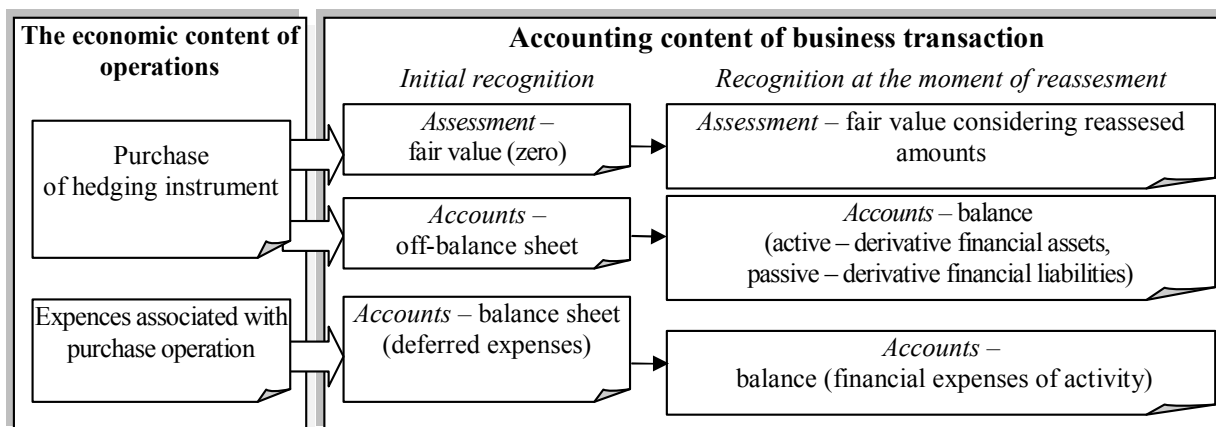


Fig. 2. Initial assessment of the hedging instruments acquisition: economic and accounting senses

Source: Author's Original Work.

In accounting hedging instruments should be recognized on the balance sheet at the time of reassessment. Thus, the reassessment amounts will shape the value of financial instruments. That will be shown in the reporting statements. Concerned internal users will be enabled to obtain more accurate and complete information for planning, monitoring and analysis of the company activity.

Expenses associated with a purchase of financial instruments will be classified as an activity expenses in case of income and expense recognition from operations with hedging instruments.

The type of financial instrument used to hedge price risk should also be taken into accounts during the initial display of financial instrument operations in accounting. When derivative or non-derivative financial instrument is selected, the accounting peculiarities depend on hedging process accounting.

Taking into account the opportunity to use different types of financial instruments in hedging (including derivatives – futures, forwards, options and swaps as well as non-derivatives (for exchange risk) – loans in foreign currency, exchange contracts with bank, etc.) it was proposed in Fig. 3 to consider acquisition and use peculiarities of certain hedging instruments that affect their accounting display.

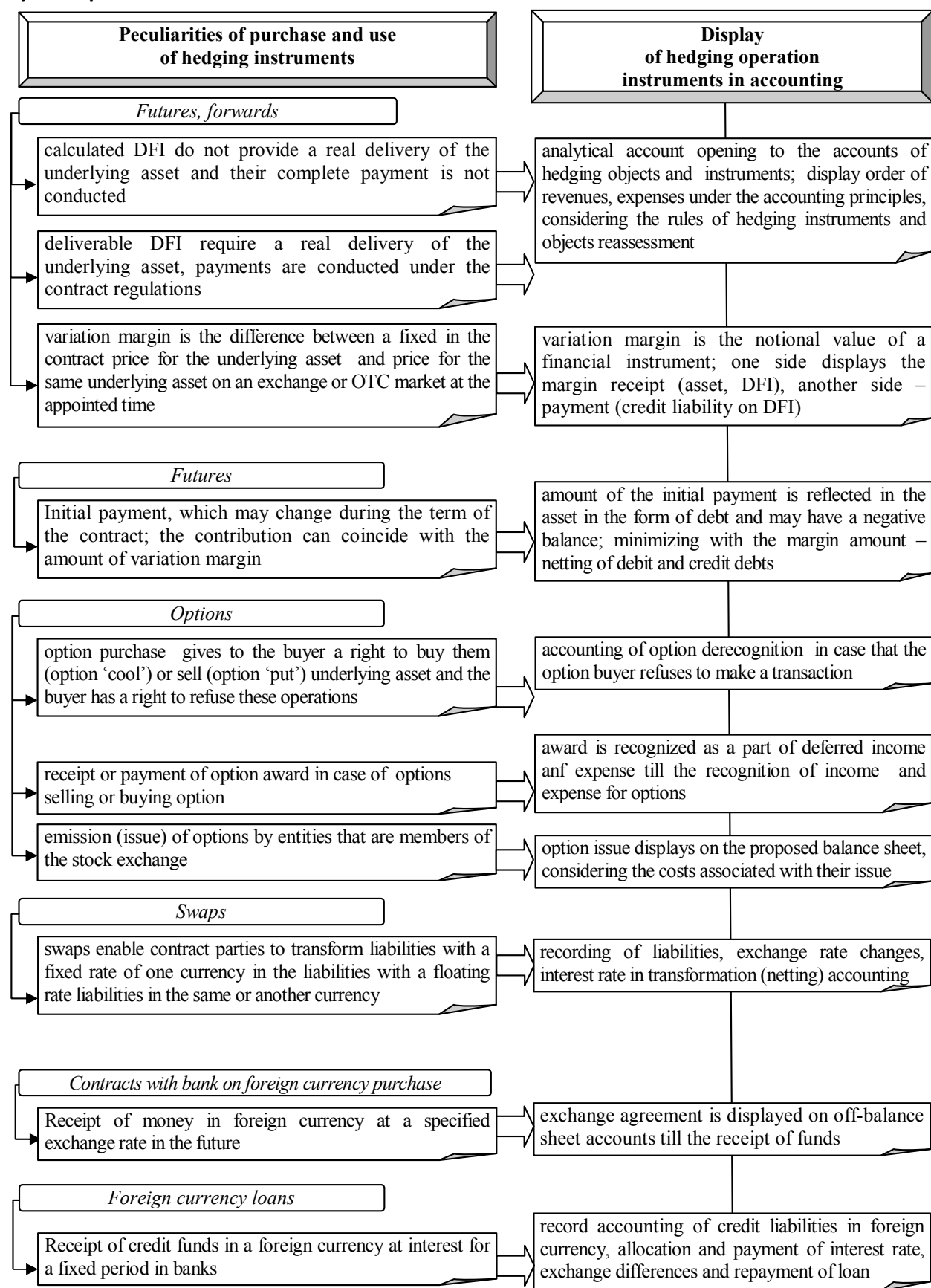


Fig. 3. Features displayed in the hedging instruments accounting

Source: Author's Original Work.

Above mentioned proposals are necessary for accounting information development. It enables to obtain a reliable and user-friendly reporting indexes for planning, analysis and control on the company activity.

Based on the research conducted we can conclude that futures and forwards (regardless of having different economic and legal essence, liquidity and stipulating different kinds of expenses) in accounting procedures are characterized by a similar evaluation order and display on accounts.

However, unlike forwards, as K.V. Ivanova points out, in order to conclude a future contract the initial payment must be made (usually 10-20 % of the contract price), which aims to meet obligations performance. Throughout the contract term the amount of the initial payment may vary. If there is an increase in prices of goods, the broker informs the client about the need to increase the amount of initial payment. Namely, there was made an additional payment. Conversely, when the price decreases the customer has a part of the initial payment amount returned [3, p. 72].

It was proposed in Fig. 3 to account the amount of the initial payment in the asset as a liability, which is calculated in correspondence with cash account (or other assets, provided due to the conditions of fixed-term contract, such as opening of letter of a credit, share, check etc.). The amount of this initial payment can be added to the amount of variation margin thus there will be a netting of liabilities in accounting.

Options, unlike futures and forwards, give hedging participants the opportunity to end up termination of the contract anticipatory at the request of one party. However, in turn, it requires the party to pay (receive) the options award, which is recognized by entity expense (income) in its accounting. In order to respect the principle of accounting and financial reporting – allowance and correspondence of incomes and expenses, it was offered to display the allocation of the options award at the accounts of future periods income or

expense in correspondence with the accounts and in accordance with debt or liability to the income and expenses moment for optionos recognition. Namely, it is a realization of data hedging instruments reassessment.

Swap operation has much in common with the calculated forward or future contracts. However, financial payments, similar by the legal nature to the variation margin, are credited as the difference between floating and fixed interest rates, and real transfer of principal is absent, it is called a ‘notional principal amount’. Therefore, it is proposed in accounting to display the swap operations similar to the transactions with forwards and futures.

Non-derivative financial instruments are recorded in the accounting, depending on the type and characteristics of their application. The agreement with banks is interpreted as non-derivative financial instrument and should be accounted at the off-balance accounts of contractual obligations till the receipt of funds in foreign currency. Loans in foreign currency are company obligations and are reflected in the accounting in accordance with current legislation (National Accounting Standards 21 ‘The impact of changes of currency rates’ and National Accounting Standards 11 ‘Obligations’) indicating ‘for the purposes of hedging’ in terms of analytics.

2. Development of the system of synthetic accounts in accounting, hedging instruments as a part of financial assets and financial liabilities and the hedging objects

According to the current legislation hedging instruments are not recognized in reports and are not recognized in the accounting records as assets or liabilities, but only a change of fair value affects the financial and property status of the enterprise in terms of income and expense activity. Therefore, on the basis of the conducted study the order of operations with the hedging instruments and items on the account was improved (table 1).

Table 1

List of proposed synthetic accounts to display hedging operations in accounting

<i>Accounting objects</i>	<i>Accounts in accordance with current legislation</i>	<i>Proposed accounts</i>
Hedging instruments	03 ‘Contractual obligations’	32 ‘Derivative financial assets’ 686 ‘Derivative financial liabilities’
Hedging objects	Accounts of asset components and liabilities provided by the current plan of accounts	Subaccount ‘Reassessment of hedging objects’ which is open in addition to the main account of hedging objects
Deferred income and expense	–	subaccounts ‘Deferred expenses on hedging operations’ and ‘Deferred income on hedging operations’ to account 39 ‘Deferred expenses’ and 69 ‘Deferred income’
Income and expense	74 ‘Other income’ 97 ‘Other expenses’	73 ‘Financial income’ 95 ‘Financial expenses’

Source: Author's Original Work.

In particular, it was offered to use accounts of Class 3 – by 32 ‘Derivative financial assets’ and 6 class – sub 686, ‘Derivative financial liabilities’ to account 68 ‘Settlements on other operations’ for derivative financial instruments. Accounting at the proposed accounts is

carried out according to the rules of accounting display of debt and liabilities. It must be noted that the options that are produced by the entity and have the initial cost are recorded in the above recommended accounts depending on its type (‘call’– 32 ‘Derivative financial assets’, ‘put’

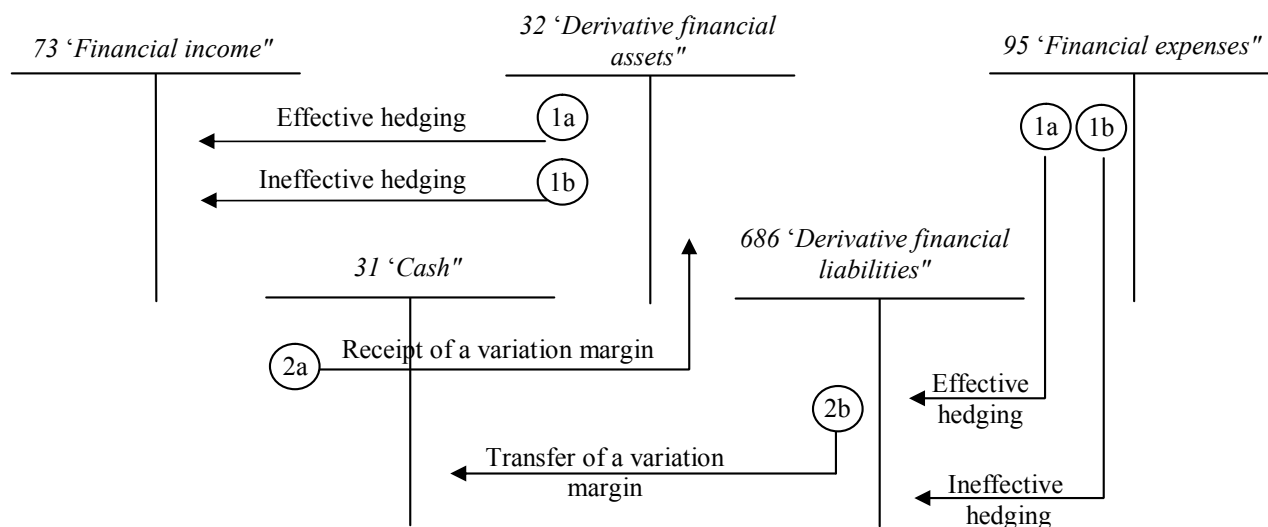
– 686 ‘Derivative financial liabilities’). That is, in this case, that expenses associated with the issuance of these hedging instruments shape the value of the option and do not appear in the accounts of deferred periods.

To display accounting expense and income in deferred periods, the essence of which is described in this article, corresponding sub-accounts ‘Deferred expenses on hedging operations’ and ‘Deferred income on hedging operations’ to account 39 ‘Deferred expenses’ and 69 ‘Deferred revenue’ are opened.

Initial payment for future transactions in its accounting entity is an initial payment, so it is displayed in the account 371 ‘Settlement on advance payments’.

It is proposed to use the account 03 ‘Contractual obligations’ in the off-balance sheet accounting, opening the appropriate accounts by the type of hedging instrument.

Thus, Fig. 4 shows the procedure for reassessment of transactions with hedging instruments and objects with a fair value on accounts. It requires usage of proposed accounts.



Notes:

- (1a), (1b) – effective and ineffective hedging parts that are recognized in finance income and expenses and accordingly increase the value of assets or liabilities
- (2a), (2b) – payments for hedging instruments operations that lay in the fact of payment or receipt of variation margin

Fig. 4. The revaluation order of fair value hedging instruments and their accounting display

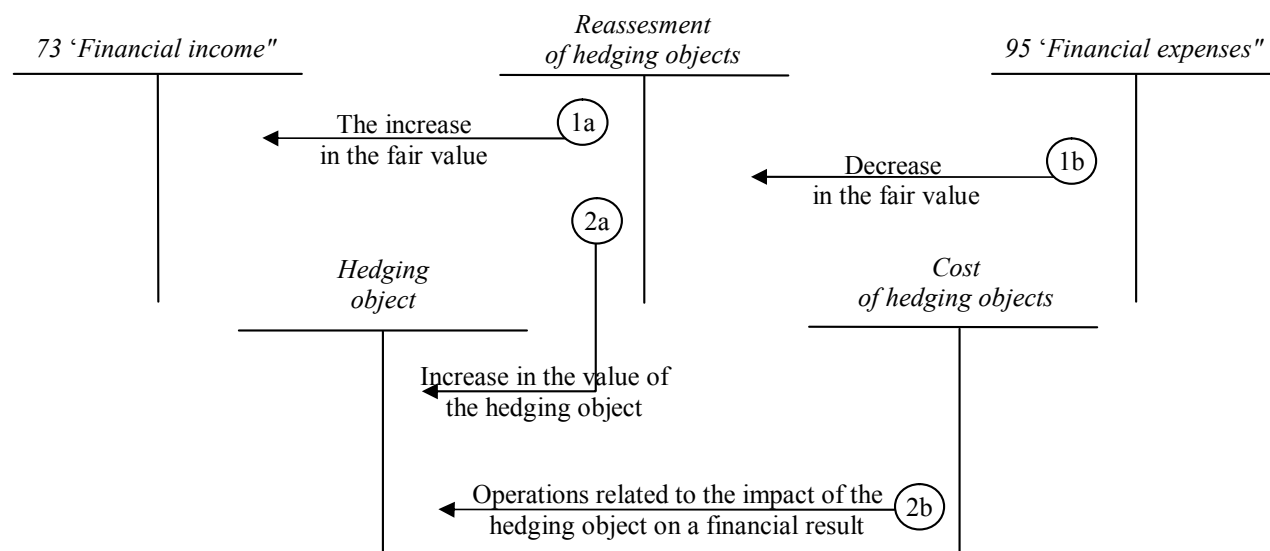
Source: Author's Original Work.

Describing the improved procedure of hedging transactions reassessment, the necessity of using accounts of activity financial income and financial expenses, including their division on hedging effective and ineffective parts. Such approach to display fair value of hedging instruments on accounts enables to receive information necessary for economic analysis, planning and control. It provides making a reasonable decisions by users concerned about the enterprise activity.

As to the hedging objects, in order to solve the valuation difference issue in accounting it was proposed to display their value changes at a separate account of second order (‘reassessment of hedging’) which is opened in addition to the main account of hedging objects (assets components and obligations). Fig. 5 shows a designed procedure of reassessment of hedging objects with fair value.

Substantiating the improved procedure of transactions with hedging objects, the attention must be paid to the usefulness of financial accounting of income and expense. Therefore, such principle of allocation and correspondance of income and expense for hedging operations takes place and the business activity remains to have its complexity display of transactions with similar economic essence.

The opening of a separate account for accounting of fair value change provides information development. That is essential not only for the company management as the basis of effective decision-making, but also affects the accuracy and legitimacy of hedging transactions, in particular meets the principles of prudence and full coverage.

**Notes:**

1a), 1b) – reassessment of hedging objects value

2a), 2b) – operations are carried out if the hedging object affects the financial result of the enterprise

Fig. 5. Procedure of reassessment of hedging objects with fair value and their accounting display

Source: Author's Original Work.

Similarly to the hedging accounting of fair value will be made the cash flow hedging accounting. However, the difference of methodological support lays in the fact that the effective hedging part is not displayed in the accounts of income and expense, but it is capitalized in other comprehensive income with subsequent reclassification in the financial results article in accordance with the applicable international law (p. 95 IAS 39 'Financial Instruments: Recognition and Evaluation').

Conclusions. Processing of the input data about accounting of hedging operations in accordance with applicable legal and regulatory provisions and guidelines does not provide the reliability, completeness and clarity of the information formed for the different groups of target users. Therefore, the survey has substantiated a number of issues in hedging accounting that related to the assessment and display of transactions with hedging instruments and objects on the accounts.

In order to ensure compliance with the accounting and financial reporting (allocation and correspondence of revenues and expenses, prudence, full coverage) it was offered to conduct an off-balance accounting value of financial instruments in the initial assesment of hedging instruments. The expenses, associated with the transaction costs, can be accounted on the deferred account until the recognition of expenses and income from transacions with hedging instruments, i.e., until the reassesment of this object of accounting. However, if an entity has been issuing stock options, the value of financial instruments is formed on recommended accounts for hedging instruments accounting display – account 32 'Derivative financial assets' subaccount 686

'Derivative financial liabilities' to account 68 'Accounts of other operations', depending on the option type. Also the peculiarities of the hedging instrumentss purchase and use by type were considered in the context of the issue of assessment of hedging instruments. The influence of hedging instruments in accounting display was analysed.

As part of the further assessment (reassessment) hedging instruments and objects the approach to the fair value of hedging instruments and objects and cash flows was grounded. It was proposed to recognise the change of the objects of accounting with fair value as a part of finance income and costs with regard to the division on effective and ineffective parts of financial instruments. Reassessment of hedging objects should be displayed on a separate account 'Reassessment of hedging objects', which is opened in the major account for hedging objects accounting. This ensures tdevelopment of reliable information and provides keeping to the principle of prudence.

Improvment of hedging operations accounting display, that was carried out within the fundamental rules and principles of economic activity accounting is reasonable and necessary in the present conditions of economic relations, which are characterized by the negative trends influence in economic, social and political spheres. Declared changes enable entities to obtain accurate and understandable information for planning planning, control, analysis that creates conditions for realization of strategic and tactical goals of the company.

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