
Hedge Accounting: An Auditor's Perspective

Prof. J. P. SINGH,
Department of Management Studies,
Indian Institute of Technology, Roorkee, India,
e-mail: jpsitr@gmail.com, jatinfdm@iitr.ac.in

ABSTRACT

Radical changes have been introduced in the hedge accounting framework by the new IFRS accounting standards. In particular, the hedge effectiveness regime has been completely overhauled and replaced by a strong principles-based charter. The relevance of qualitative assessment procedures has, accordingly, increased making the audit of such assignments immensely challenging. Pronouncements from regulatory bodies providing professional guidance on audit issues of hedge accounting and effectiveness testing have failed to keep pace with this rapid transition, enhancing the complexity of such audit exercises. In the present article, after providing a brief analysis of the contemporary hedge accounting and effectiveness testing provisions, we dwell upon the salient issues connected with the auditor's predicament and highlight the way forward in the changed environment.

Keywords: IFRS 9, audit, hedge accounting, risk management

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