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Some aspects concerning accounting for interest-rate swap derivative instruments according to IAS 39

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Accounting for derivative financial instruments has undergone a real revolution since the introduction of International Accounting Standard No 39 „Financial Instruments: Recognition and Measurement”. One of the most complex issues of this standard reffers to the hedge accounting and the strict criteria required to be met in order to apply it. Interest rate swaps are derivatives commonly used as hedging tools by many companies pursuing certain risk management stategies. IAS 39 prescribes three possible accounting treatments for such derivatives with different effects on resulting accounting reports. The effects depend on whether the swap or any other derivative is designated or not as a hedge and also on the type of the hedge. This paper discusses these differences through an example which illustrates the 3 possible situations and their accounting consequences.