STRATEGY KNOWLEDGE TRANSFER SYSTEM. HEDGES

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Abstract: An entity will provide information through which the users of financial situations can evaluate the nature and size of the risks that came from financial instruments and where the entity is exposed at the reporting date. In addition, disclosures may be provided either in the financial statements or incorporated in the financial statements by cross-reference to other situations, such as comments on risk management or risk report is available for users of financial statements under the same conditions as financial statements and at the same time. Without the information incorporated by cross-references, financial statements are incomplete.

Key words: knowledge, consulting, capital management, market

The disclosures focus on the risks arising from financial instruments and on how they were managed. These risks typically include, but are not limited to, credit risk, liquidity risk and market risk.
For each type of risk that comes from financial instruments, an entity shall:
- Exposure to risk and how they occurred;
- Objectives, policies and processes for managing risk and the methods used to assess risk, and
- Any adjustments in the above information from the previous period.
For any type of risk arising from financial instruments, an entity must submit summaries of quantitative data on its exposure to that risk at the reporting date. This presentation should be based on information provided internally to key management personnel of the unit (for example, the entity's board or executive director).
If the quantitative data presented at the reporting date are not representative of an entity's exposure to risk during the period, an entity will provide additional information to be representative. Derivatives are used to cover the main elements of risk. They are measured at fair value and its changes are recognized in the income statement. There are few cases where derivatives do not qualify for hedge instruments.

Risks associated with financial instruments

Derivatives have emerged from the need to protect companies against various risks that characterize business today. Of these posts, due to their implications for financial risks. They reflect the failure of an entity's cash flows in comparison with financial obligations. Shows the degree of financial risk protection amounts of money involved in financial markets in the form of deposits in the banking sector or capital market investment, or of the insurance.
Consequences of occurrence of this type of risk are:
a) obtaining resources at high prices;
b) the obligation to abandon or delay certain investments provided;
c) the obligation to transfer assets at inappropriate times and in bad conditions;
d) failure of one or more undertakings, which puts the company in difficult situations affecting them credibility;
e) unable to return to a decision to alter a previous strategy.
- Cash flow risk, which is that the value of future cash flows associated with a monetary financial instrument will fluctuate.

Credit risk

An entity shall disclose for each class of financial instruments:
- The value that best represents its maximum exposure to credit risk at the reporting date without taking into account any collateral held or any improvement in credit rating;
- The amount shown under the preceding paragraph, a description of collateral held as insurance or other credit rating improvements;
- Information on credit ratings for financial assets that are neither past due nor impaired, and
- Book value of financial assets that would in any other case, arrears or impaired whose terms have been renegotiated.

Activities that generate maximum exposure to credit risk and credit risk associated include, but are not limited to:
- Loans and receivables to customers and placing deposits with other entities (in this case, the maximum exposure to credit risk is the carrying amount of related financial assets).
- Concluding contracts in derivatives - foreign exchange contracts, interest rate swaps and credit derivatives. If the assessment result is given asset at fair value, the maximum exposure to credit risk at reporting date is equal to book value.
- Providing financial guarantees, the maximum exposure to credit risk is the maximum amount that the entity may be required to pay if the guarantee is executed, a value could be significantly higher than the amount recognized as a liability.
- Completion of a credit commitment is irrevocable over the life of the facility or is revocable only in response to a significant adverse change. If the issuer can not settle the loan commitment net in cash or another financial instrument, the maximum exposure to credit risk is equal to the full amount of commitment. This is because it is uncertain whether the amount of any unused payments can be used in the future. This may be significantly greater than the amount recorded as a liability.

Liquidity risk

An entity shall disclose:
- Maturity analysis for financial liabilities showing the remaining contractual maturities, and
- A description of how it manages the liquidity risk inherent in the foregoing.

In preparing the contractual maturity analysis for financial liabilities, an entity uses its professional reasoning to determine an appropriate number of intervals, so that an entity can be established that are appropriate for the following intervals:
- Intervals of less than one month;
- Intervals between one month and three months;
- Every three months to one year, and
- Ranges from one to five years.

When the time of year can choose a partner who pays an amount, the debt is included using the first day that the entity may be required to pay. For example, financial liabilities such an entity may be required to pay in advance, upon request, are included in the first period.

When an entity is obligated to pay certain sums in installments, each installment is allocated to the first period in which such entity may be required to pay. For example, an unused loan commitment is included in the period covering the first day on which it can be used.

The amounts disclosed in the maturity analysis are the contractual undiscounted cash flows, for example:
- Gross liabilities arising from finance leases - before deduction of financial charges

- Prices specified in forward contracts to acquire financial assets in cash;
- Net amount of interest rate swaps with floating rate payment and fixed rate charged for exchanges that are net cash flows;
- Contractual amounts to be transferred to a derivative which are gross trade flows, and
- Gross loan commitments.

Such undiscounted cash flows differ from the amount included in the balance sheet because the amount is based on discounted cash flows.

Where appropriate, an entity shall analyze separately the derivatives of the derivative financial instruments in the analysis of contractual maturities of financial liabilities. It would be fair to distinguish between cash flows from derivative financial instruments and derivative financial instruments if the cash flows arising from derivative financial instruments are settled gross. This is applicable because the gross cash outflow may be accompanied by a corresponding entry.

When the amount that has to be paid has not been fixed, the amount presented is calculated by reference to conditions that existed at the reporting date., Namely when the amount payable varies with changes in the index, the amount shown is based on the index at the reporting date.

Market risk

An entity shall disclose;
- A sensitivity analysis for each type of market risk to which the entity is exposed at the reporting date, showing how profit or loss and equity would have been affected by the changes, reasonably possible after that date, the relevant variable risk;
- Methods and analysis used in drawing up proposals for sensitivity to, and
- Changes compared to previous methods and assumptions used and the reasons for such changes.

If an entity prepares a sensitivity analysis, such as value at risk, that reflects interdependencies between risk variables - interest rates and exchange rates - and uses this analysis to manage financial risks, the entity may use that sensitivity analysis . The entity also must disclose:
a) an explanation of the methodology used in preparing such a sensitivity analysis and key parameters and main assumptions underlying the data provided, and
b) an explanation of the objective method used and limits that could arise because the information is not fully reflect the fair value of assets and liabilities involved.

When the sensitivity analysis are not representative of a risk inherent in a financial instrument, it shall disclose that fact and why it believes the sensitivity analysis are not representative.

Entity should perform sensitivity analysis for each type of risk to which it is, so it should compile information to be presented in the overall picture without combining information with different characteristics about exposures to risks of economic environments that are very different. For example:
- An entity that sells financial instruments could present this information separately for financial instruments held for trading to those who are not held for trading.
- An entity would not aggregate its exposure to market risks from areas of hyperinflation with its exposure to the same market risks from areas with very low inflation.

If an entity is exposed to only one type of market risk and only in an economic environment will not disclose disaggregated.

Sensitivity analysis must show the likely effect of changes in the relevant risk variable (eg main market interest rates, exchange rates, equity prices or commodity prices) on the profit or loss and equity. To this end:
a) entities are not required to determine the profit or loss would have been relevant if the risk variables were different. Instead of this, entities have the effect on profit or loss and equity on the balance sheet date assuming that a change was likely relevant risk variable at the balance sheet and that it had been applied to the exposures that existed at that time. If an entity has a variable rate debt at the end, the entity would have the effect on profit or loss - ie interest costs - for the current year if interest rates have varied amounts likely.
b) entities are not required to disclose the effect on the profit or loss and equity if any change is likely within a range of relevant risk variable changes. Introducing the effects of changes in extremes of range would probably be sufficient.
When determining a modification is likely relevant risk variable, an entity should consider:
a) economic environments in which they operate. A change would be likely to include "the worst expectations" or "strength tests. Moreover, if changes in the underlying variable rate risk is stable, the entity must not change the probable change in risk variable.
b) the time the assessment is made. Sensitivity analysis will show the effects of changes that are very likely in the period which lasts until the new entity will present this information, a period which is usually the next annual reporting period.

Interest rate risk

Interest rate risk arises from interest bearing financial instruments recognized on the balance sheet (eg loans, debts and debt instruments issued) and certain financial instruments are recognized not.

Currency risk

Exchange rate risk or exchange rate risk arises from financial instruments that are denominated in foreign currency, ie in a currency other than functional currency are measured. In the context of IFRS 7, no currency risk arises from financial instruments that are elements of the monetary or financial instruments denominated in the functional currency.

Other price risks

Other price risks arising from financial instruments due to changes in commodity prices or equity prices. An entity could have the effect of a fall in a specified stock index, commodity prices and other risk variables. If an entity gives residual value guarantees, warranties, which are financial instruments, the entity shows an increase or decrease in value of assets to which the guarantee.
There are two cases of financial instruments which may give rise to equity price risk:
a) if they have equity in another entity and
b) where investments are made in a fund, which in turn holds investments in equity instruments.
These cases include forward contracts and options to buy or sell specified quantities of an equity instrument and swaps that are indexed to equity prices. The fair values of such financial instruments are affected by changes in market prices of equity instruments based.

Financial instruments that an entity has classified as equity instruments are not revalued. No profit or loss nor equity will not be affected by equity price risk of those instruments. Therefore, there is no analysis of the sensitivity required.

Conclusions

Without taking into account their nature, risks have consequences for the financial bill which are often very important. For this reason, the attention given to the problem of protection against risks by the management has grown tremendously.
Risk management consists of all concepts, measures and actions taken by the management entities to identify, capture, monitoring, analysis and management of exposures to risk and uncertainty of their work.
The first stage of an effective risk management and risk assessment is to identify sources of risk and related business entity, by careful analysis of the external environment and internal organization. The next step is the monitoring of risks by implementing appropriate mechanisms. This step must be doubled by the performance assessment of the risk control process carried out by managers at all levels aware of the importance of this activity and appointing staff to ensure its proper deployment.

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