Accounting for Derivatives and Hedging Activities (Financial Accounting and Auditing Collection)

Frank J. Beil
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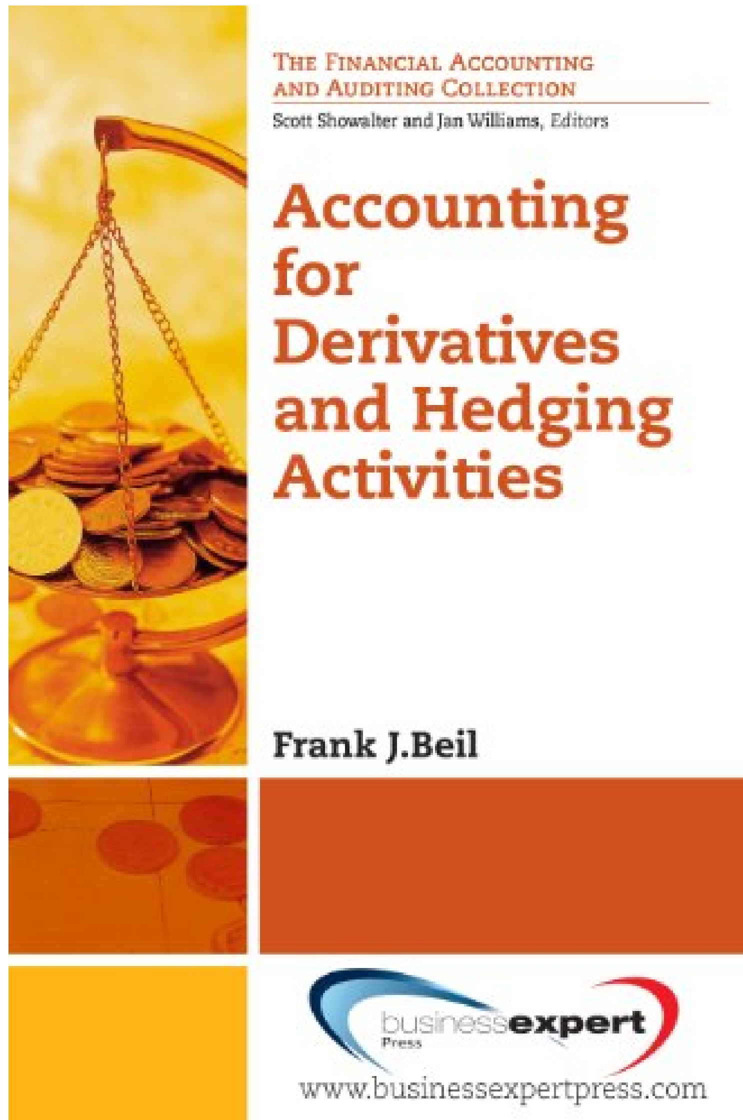

#2027033 in eBooks 2013-10-09 2013-10-09File Name: B00IKN9MUI | File size: 76.Mb

Frank J. Beil : Accounting for Derivatives and Hedging Activities (Financial Accounting and Auditing Collection) before purchasing it in order to gage whether or not it would be worth my time, and all praised Accounting for Derivatives and Hedging Activities (Financial Accounting and Auditing Collection):

2 of 2 people found the following review helpful. Avoid the author and Business Expert PressBy Thomas JacobsI will go further than the last reviewer. This is a horrific effort at filling a significant need for a short readable guide with

plenty of examples. From the author's short bio on the back cover, one might conclude he is certainly capable. If you conclude this as I did and spend your money, you will be sorely disappointed. This is the sloppiest, poorest excuse for a book I have yet to purchase. I don't know if the author is too busy with the three other guides this fly-by-night publisher (business expert press) has him signed up for per the end of the book or if the publisher simply does not feel the need to pay for an editor. Some low-lights of the book - I made it to page 91:Unlike in grammar school, Mr. Biel explains that in working with Y = a + bX that Y is the independent variable and X is the dependent variable! Further, by setting b=0 we can best explore the relation between Y and X! (page 42)"Cash flow hedges are designed to lock in variable (floating) future expected cash flows of an anticipated or forecasted transaction." Then exactly one sentence later, "For cash flow hedges the opposite is true; the company takes inherently variable cash flows and converts them to fixed cash flows!" Which is it? (page 69)Throughout the text he alternates between describing hedging effectiveness as 80-125% and 80-120% change in the derivative compared to the hedged activity. It's 80-125%In describing a cash flow hedge of fixed rate debt on page 78 he begins by swapping to floating, which appears to be a cut and paste from his example for a fair value hedge in the prior chapter as there is no need to cash flow hedge fixed rate debt - it's fixed! One paragraph later, the fixed rate position has magically morphed to variable rate and now the swap is converting it to fixed!His derivative knowledge is sorely lacking. He describes the arbitrage free forward price for an asset that does not pay income income or entail storage as a mathematical equivalence that always holds between futures prices and spot prices of commodities - simply not true. (page 54)If you are familiar with the topic, the book will drive you crazy. If you are not, this is certainly not going to help you. Save your money.3 of 3 people found the following review helpful. Does more harm than goodBy Thomas T. AmlieI acquired this book with the expectation that I might adopt it for a graduate Accounting class I teach. This book is badly written from a grammar and syntax perspective, and the author makes enough conceptual mistakes in the first 17 pages for me to write it off as useless or damaging. I think it's better to remain ignorant and aware of your ignorance than to read this and "learn" a bunch of incorrect information.

Derivatives, and derivatives used to hedge financial and operating functions, are designed to allow managers of firms to manage effectively the downside risk of their financial and operating strategies. They also can be very useful tools that allow managers and executives to accurately predict financial and operational performance and manage the investment communities' "expectations" regarding overall firm performance. Derivatives and hedges, however, if not properly designed in conjunction with the firm's risk management strategy, can be potentially disastrous for the firm. The ongoing financial turmoil in markets can be partially explained by company managers and executives not understanding the potential financial statement impact when derivative markets move in a particular direction for longer periods of time than anticipated by firms. This book is designed for managers and executives to be a comprehensive yet accessible resource for understanding the impact of derivative and hedge accounting on a company's reporting of financial statements. The book's primary purpose is to demystify derivatives and provide practical advice and counsel on how to use them to manage more effectively the operational and financial risk to the firm. When used properly derivatives are an extremely effective tool that managers and executives can use to reduce uncertainty regarding the future.

About the AuthorMinneapolis, MN; Lecturer at Carlson School of Management; University of Minnesota