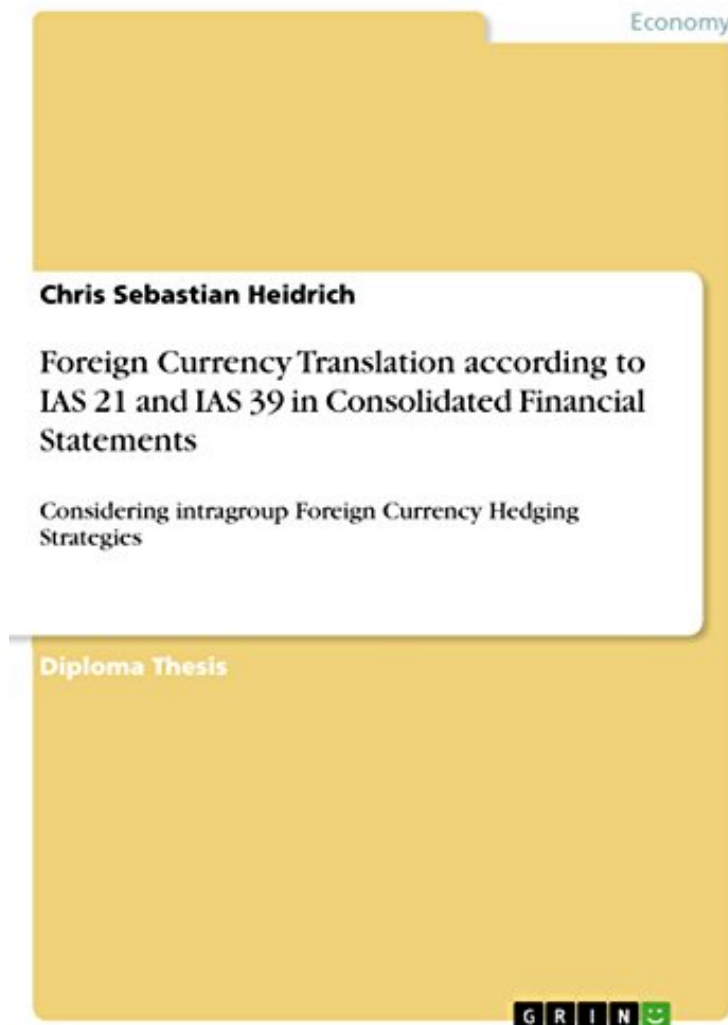


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Strategies:

Diploma Thesis from the year 2004 in the subject Business economics - Accounting and Taxes, grade: 1,7, University of Hohenheim (FB Betriebswirtschaftslehre), course: Betriebliches Rechnungswesen, 67 entries in the bibliography, language: English, abstract: This book deals with foreign currency translation under IAS/IFRS considering hedging strategies that help to minimize foreign currency exposures. It is broadly described, which currency exposures companies face, which basic hedging strategies exist and how they are accounted for in consolidated financial statements of international groups. After the foreign currency exposures are introduced and basic hedging strategies for each of these exposures are provided, the procedure of foreign currency translations according to IAS 21 (revised 2003) is introduced. The paper deals with the translation of transactions denominated in currencies other than the company's home currency as well as with the inclusion of foreign subsidiaries in the consolidated financial statements. Therefore, various examples are provided. As the topic of the thesis is foreign currency hedging, a closer look is taken on IAS 39 (revised 2003) which includes introduction of the three kinds of hedging and their accounting as required by IAS 39. Especially the links between IAS 21 and IAS 39 are pointed out and analyzed. Also the section dealing with IAS 39 provides various examples that make the reader understand the accounting and consolidation procedures. At the end, exposure drafts of the IASB dealing with IAS 39 are introduced and the possible effects are briefly mentioned. This paper also includes a case study, based on the example of a big Chilean incorporated Company. This case study provides the problems and possible solutions of foreign currency risks a company faces as well as the related accounting issues. Furthermore, the case study shows, how foreign currency hedges are accounted for using other accounting principles (here Chilean GAAP) and which steps have to be taken to perform a reconciliation from Chilean GAAP to IFRS. As the thesis has been presented at a German university, all questions and important points are seen from both, a theoretic view and a practical view. It provides the reader a comprehensive knowledge of currency translation and hedge accounting and makes him able to understand where these two topics are linked and which problems related to this topic companies face when preparing (consolidated) financial statements under IFRS.