IN-HOUSE COURSE CATALOGUE

from A4 Training

Course List

COURSES FOR FINANCIAL ANALYSTS

Advanced financial reporting for analysts

Course duration: 2 days

Delegate profile:

The course is aimed at all finance professionals who need to critically assess information contained in financial statements. The course focuses on those areas of financial reporting which require use of subjective estimates and are therefore most prone to use of creative accounting practices.

Programme outline:

- Assessing the quality of various balance sheet items.
- General rules for recognising and derecognising assets and liabilities, introduction to measurement approaches.
- Capitalising costs – research and development expenses and other internally generated intangibles, external financing costs, allocating overheads to units of finished goods.
- Creating assets out of tax losses – interpreting deferred tax assets. Brief review of deferred taxes.
- Goodwill – how it is generated (accounting for business combinations), booking gains on:
    - bargain purchases (negative goodwill),
    - combinations with contingent payments,
    - multi-stage combinations.
- Creative measurement of property, plant and equipment and investment property – historic cost versus fair value, revaluations taken to P&L and Other Comprehensive Income.
- Analysing impairment losses – the mechanics of impairment testing and necessary assumptions.
- Assets held for sale and discontinued operations.
- Revenue recognition with particular emphasis on the moment when revenue is recognised (transfer of risks and rewards) at companies using IFRS 15 Revenue.
- Recognising revenue and costs at construction companies.
- Financial instruments accounting with particular emphasis on the rules for recognition and measurement of individual asset and liability categories as well as derivative instruments, including hedge accounting.

Each of our courses is tailor-made. Please let us know your expectations so that we can present an offer which is fully customised to meet your specific business needs.

COURSES IN ACCOUNTING FOR FINANCIAL INSTRUMENTS

Hedge accounting in accordance with IFRS 9 in practice

Course duration: 2 days

Accounting requirements relating to the measurement of derivatives in financial statements frequently result in a mismatch between the accounting treatment and economic sense of contracts in derivatives, entered into for risk management purposes. Such mismatches may cause increased P&L volatility and become a source of misinterpretation of the risk management activities by financial statement readers.

Hedge accounting is a concept, which helps avoid such mismatches through the alignment of the accounting treatment of hedging derivatives with the exposures which they economically hedge. However, hedge accounting is a privilege available upon completion of a series of additional requirements, relating to documentation and effectiveness of the hedging relationship.

We are offering a 2-day workshop, in which we will teach you how hedge accounting may be achieved in practice. The course is based on the revised hedge accounting requirements as set out in IFRS 9 and includes an analysis of typical economic hedging relationships relating to foreign exchange, interest rate and commodity risk.

Delegate profile:

The course is aimed at all finance and risk professionals involved in accounting and risk management processes at companies – finance directors, chief accountants, risk managers, treasurers, as well as analysts of financial statements.

Programme outline:

- **Sources and types of financial risk exposures in business activities, incl.:**
    - Risk of variability in future cash flows
    - Risk of changes in the fair value of assets and liabilities

- **Overview of the economic approach to hedging of financial risks:**
    - Aggregation of exposures
    - Desired hedge ratio
    - Matching and net position hedging
    - Review of derivatives typically used for hedging of foreign exchange, interest rate and commodity risk

- **Economic hedging relationships and accounting hedging relationships (incl. differences between IAS 39 and IFRS 9)**
    - Hedged positions eligible for hedge accounting
    - Hedging instruments eligible for hedge accounting

- **Hedge accounting technical requirements (incl. differences between IAS 39 and IFRS 9)**
    - Hedge accounting documentation
    - Measurement of effectiveness

- **Accounting approach to hedge accounting:**
    - Cash flow hedges
    - Fair value hedges
    - Hedge of net investment in a foreign entity
    - Re-balancing and termination of hedge accounting

- **Fair value accounting as an alternative to hedge accounting – pros and cons**

- **Mandatory disclosures of hedge accounting in accordance with IFRS 7**

- **Case studies:**
    - Hedging future cash flows denominated in a foreign currency
    - Hedging exposures to interest rate risk
    - Hedging exposures to changes in commodity prices

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Financial instruments accounting in accordance with IFRS 9 for banks and financial institutions

Course duration: 2 days

Starting from January 2018, all entities preparing financial statements in accordance with IFRS must comply with IFRS 9 – a standard which substantially changes the way in which financial instruments are recognised and measured. The main areas of change include a completely new philosophy of classification of financial assets to categories which determine the way they are measured and presented in the financial statements, substitution of the obsolete incurred loss-based impairment model with a modern expected loss approach, as well as enhanced hedge accounting. These above changes will strongly affect the processes of accounting for financial instruments and preparation of financial statements, in particular at banks and other financial institutions reporting under IFRS. Implementation of the new standard will definitely make the financial instruments accounting landscape more complex and challenging.

This course is a 2-day workshop based on practical worked examples from the banking industry, during which we will guide participants through the labyrinth of accounting standards relating to financial instruments accounting. We will also present how the new IFSR 9 will impact the financial statements of financial institutions.

Delegate profile:

This training is suited for finance and risk professionals from the banking and financial industry, involved in reporting and preparation of financial statements, management of credit and market risk, as well as management accounting and controlling: chief accountants, risk managers, experts and specialists. Participation in the course may also be beneficial for all persons involved in analysing financial statements of financial institution such as equity analysts.

Programme outline:

- **Overview of standards regulating accounting for financial instruments**
  - Review of IFRSs and IASs, which regulate accounting for financial instruments and their scope
  - Definitions of financial instruments under IFRS
  - Main reasons for substitution of the previously effective IAS 39 with the new IFRS 9

- **Classification and measurement of financial instruments**
  - Accounting categories determining how financial instruments are presented and measured in the financial statements (FVPL, FVOCI, amortised cost)
  - Criteria of classifying financial assets and financial liabilities to a given category: the business model test and "SPPI" test

- Approach to structured (hybrid) financial instruments – criteria of bifurcation of embedded derivatives from the host contract
- Approach to presentation of changes in fair value of financial liabilities resulting from changes in the credit rating of the issuer
- Reclassification of financial assets and financial liabilities

- **Fair value of financial instruments**
  - Definition of fair value in accordance with IFRS 13
  - Fair value "hierarchy" and its application to financial instruments
  - Fair value adjustment due to changes in credit risk of the issuer
  - Practical examples – fair value of debt instruments, equity instruments and derivatives.

- **Derecognition of financial assets and financial liabilities**
  - Derecognition criteria in accordance with IAS 39
  - Application of derecognition criteria to securitisation and factoring agreements

- **Impairment of financial assets**
  - Overview of the new expected loss impairment model as contrasted with the old incurred loss model
  - Definition of expected losses: 12-month EL and life-time EL
  - Significant deterioration of credit quality, transfer between 12-month EL and life-time expected loss
  - Explanation of the 3-stage approach of loss provisioning and accounting treatment for financial assets classified to each of the stages
  - Simplified approach to the 3-stage approach and how it can be applied
  - Modification of financial assets and its impact on loss provisioning
  - Purchased or originated credit-impaired assets (POCI) and approach to their measurement using credit-adjusted effective interest rate
  - Interactions between IFRS 9 impairment model and other regulatory regimes (e.g. Capital Requirements Directive)

- **Hedge accounting**
  - The concept of hedge accounting. Economic hedges and accounting hedges.
  - Cash flow hedge accounting and fair value hedge accounting – examples and accounting treatment
  - Hedged positions and hedging instruments
  - Hedge accounting documentation and effectiveness testing
  - The new hedge accounting model featured in IFSR 9 and main changes in comparison with IAS 39: hedging of net position, designation of time value of options to hedge accounting, hedging of non-financial risks, hedge re-balancing.

- **Disclosures**
  - The scope of mandatory disclosures relating to financial risks and financial instruments as required by IFRS 7
  - New disclosures required by implementation of IFRS 9, in particular in connection with impairment of financial assets and hedge accounting
  - Disclosures required when IFRS 9 is applied for the first time

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Financial instruments accounting for non-financial companies (incl. IFRS 9)

Course duration: 2 days

One of the results of the dynamic development of financial markets is the application of more and more complex financial instruments and structures by non-financial companies, which use financial instruments for financing, investing of surpluses and risk management.

Understanding the functioning of financial instruments in all of the above-mentioned dimensions and their accounting treatment, in particular how they impact the profit and loss account and financial position of companies, is crucial not only from the perspective of the process of preparing financial statements in a company, but also from the viewpoint of external financial statements analysis.

We are offering a 2-day workshop during which the participants will learn to safely move in the maze of requirements relating to accounting for financial instruments in accordance with International Financial Reporting Standards. During the course participants acquire knowledge on how financial instruments are recognised, measured and presented in the books of non-financial companies. The course utilises a practical approach to the application of various types of financial instruments at companies and is based on realistic worked examples.

Delegate profile:

The course is directed to all finance and risk professionals involved in accounting and risk management processes, in particular employees of accounting, controlling, and risk departments of companies reporting in accordance with International Financial Reporting Standards, as well as analysts of financial statements.

Programme outline:

- **Overview of standards regulating accounting for financial instruments**
  - Review of IFRSs and IASs, which regulate accounting for financial instruments and their scope
  - Definitions of financial instruments under IFRS
  - Main reasons for substitution of the previously effective IAS 39 with the new IFRS 9

- **Classification and measurement of financial instruments**
  - Accounting categories determining how financial instruments are presented and measured in the financial statements (FVPL, FVOCI, amortised cost)
  - Criteria of classifying financial assets and financial liabilities to a given category: the business model test and “SPPI” test

- Approach to structured (hybrid) financial instruments – criteria of bifurcation of embedded derivatives from the host contract
- Approach to presentation of changes in fair value of financial liabilities resulting from changes in the credit rating of the issuer
- Reclassification of financial assets and financial liabilities

- **Fair value of financial instruments**
  - Definition of fair value in accordance with IFRS 13
  - Fair value "hierarchy" and its application to financial instruments
  - Fair value adjustment due to changes in credit risk of the issuer
  - Practical examples – fair value of debt instruments, equity instruments and derivatives.

- **Derecognition of financial assets and financial liabilities**
  - Derecognition criteria in accordance with IAS 39
  - Application of derecognition criteria to factoring and reverse factoring agreements

- **Impairment of financial assets**
  - Overview of the new expected loss impairment model as contrasted with the old incurred loss model
  - Definition of expected losses: 12-month EL and life-time EL
  - Significant deterioration of credit quality, transfer between 12-month EL and life-time expected loss
  - Explanation of the 3-stage approach of loss provisioning and accounting treatment for financial assets classified to each of the stages
  - Simplified approach to the 3-stage approach and how it can be applied
  - Practical approach application of impairment requirements to trade receivables, intra-group loans and shares in affiliated entities.
  - Purchased or originated credit-impaired assets (POCI) and approach to their measurement using credit-adjusted effective interest rate

- **Hedge accounting**
  - Explanation of the idea of hedge accounting. Economic hedges and accounting hedges.
  - Cash flow hedge accounting and fair value hedge accounting – examples and accounting treatment
  - Hedged positions and hedging instruments
  - Hedge accounting documentation and effectiveness testing
  - The new hedge accounting model featured in IFSR 9 and main changes in comparison with IAS 39: hedging of net position, designation of time value of options to hedge accounting, hedging of non-financial risks, hedge re-balancing.

- Practical application of hedge accounting provisions in business practice of companies (including foreign exchange, interest rate and commodity risk hedges)

- **Disclosures**
  - The scope of mandatory disclosures relating to financial risks and financial instruments as required by IFRS 7
  - New disclosures required by implementation of IFRS 9, in particular in connection with impairment of financial assets and hedge accounting
  - Disclosures required when IFRS 9 is applied for the first time

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COURSES IN RISK MANAGEMENT

Financial risk management – application of financial instruments to hedging market risk exposures at companies

Course duration: 1 day

Constant growth of complexity of the financial environment in which many companies operate and increased competitive pressure in the global economy have made financial risk management one of the topics on the top of the agenda of executives at companies of virtually all sectors of the economy. Consequently, the importance of financial instruments, in particular derivatives, in the everyday practice of risk management, has been growing over the last few years. Due to their complex nature, application of financial instruments requires extra attention from risk managers and has to be embedded in a carefully designed risk management process and surrounded by a robust control environment.

We are offering a 1-day training course on the application of financial instruments to the risk management in a company. The training is an interdisciplinary workshop covering the following topics:

- financial markets, in which financial instruments agreements are entered into,
- organisation of risk management processes and control environment in companies
- accounting for financial instruments in accordance with IFRS, including hedge accounting
- regulatory issues connected with entering into financial instruments agreements.

Delegate profile:

The course is suited for at all finance and risk and other professionals involved in the process of risk management in companies.

Programme outline:

- **Review of financial risks to which companies are exposed in the course of their business activities (e.g. foreign exchange, interest rate, commodity)**

- **Organisation of risk management process, incl.:**
  - Approach to identifying, aggregating and reporting risk exposures
  - Division of tasks and responsibilities
  - Documentation issues: risk management policy and strategy
  - Ongoing and periodic controls

Hedging financial risks:

- Defining risk appetite
- Choice of hedging instruments
- Achieving a desired hedge ratio
- Measuring hedge effectiveness and impact on profit or loss

Accounting aspects of engaging into financial derivatives:

- Accounting treatment of derivatives in accordance with IFRS
- Measuring fair value of derivatives and their impact on profit and loss account
- Introduction to hedge accounting – costs and benefits

Practical issues related to financial derivatives market:

- Economic features of typical hedging instruments: forwards, options and swaps
- How prices of derivatives are determined
- How transactions are concluded in the marketplace

Regulatory issues connected with engaging in derivatives

- Review of main regulations impacting application of derivatives (incl. EMIR and MIFID)
- Review of benefits and constrains stemming from current market regulation from the point of view of companies buying instruments for risk management purposes.

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COURSES IN FINANCIAL MARKETS

Introduction to financial markets

Course duration: 1 day

Course highlights:

- Utilises up-to-date financial market data so as to build an understanding of current market conditions.
- Explains every-day financial and economic concepts and phenomena in a comprehendible manner.

Programme outline:

- Overview of main financial market segments and participant roles.
- Money and bond markets (Treasury bills, bonds and notes, corporate and municipal paper, coupon structures, auction processes and yields in primary and secondary markets, clean versus dirty prices and day count conventions).
- Interest rates in the economy (benchmark interest rates, LIBOR and EURIBOR determination).
- Foreign exchange markets (the mechanics of currency trading, major currency pairs, recent trends in the foreign currency markets, safe haven and risky currencies).
- Equity markets (ordinary versus preference shares, warrants, the IPO process: bookrunning, underwriting, major exchanges and stock market indices, ADRs, GDRs, EDRs).
- Derivative markets (introduction to the basics of forwards, futures, options and swaps).
- Investment funds (open-end, closer-end, ETFs, active versus passive management, private equity and hedge funds).

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Money market instruments and derivatives, repurchase agreements

Course duration: 1 day

Programme outline:

- **Primary money market instruments**
  - Money market deposits, including short recap of how the primary –IBOR and –ONIA rates are determined.
  - Certificates of deposit (CDs) - CD yield quotations and settlement proceeds computation.
  - Treasury bills – computing settlement proceeds given a quoted discount.
  - Bankers acceptances, commercial paper, including commercial paper programmes (US CP and Eurocommercial CP).

- **Short term interest rate derivatives**

  Terminology, mechanics, pricing and settlement of:
  - Forward Rate Agreements (FRAs).
  - Short-term interest rate futures.

- **Repurchase agreements**
  - Contrasting classic repo and sell / buy-backs.
  - Cash-driven and stock-driven repo transactions – uses and motivations.
  - Collateral types (general versus specific) – repo rate impact.
  - Initial and variation margins – making the link to collateral characteristics.
  - Repo variations: tri-party repo, hold-in-custody repo, cross-currency repo, repo-to-maturity.

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Bonds, asset–backed securities and structured finance products

Course duration: 1 day

Programme outline:

- **Bonds**
  - Overview of key bond parameters (maturities, currency denominations, coupon structures and formulas, conversion features, call and put options) and their influence on bond returns and risk profiles.
  - Understanding the difference between coupon rate and yield.
  - Bond pricing basics (making the link between coupon rate, maturity and sensitivity to interest rate changes).
  - Clean versus dirty prices, computation of accrued interest under various day-count conventions.
  - Understanding the triggers for various bond-related events (e.g. rationale for calling a bond issue).
  - The rationale behind convertible and reverse convertible bonds - upside and downside potential, conversion terms and processes.

- **Short term interest rate derivatives**
  - Mapping the primary asset-backed security types and geographic markets.
  - Passthrough securities: payment and investment characteristics and risks - calculating principal and interest cash flows to passthrough security holders given assumptions about prepayment speeds.
  - Factors affecting prepayments - expansion / contraction risks.
  - The mechanics of CMO creation and tranche types: sequential pay, accrual, PAC, support, stripped MBSs: Interest-only and principal-only.
  - Commercial Mortgage-Backed Securities and Non-mortgage ABSs.
  - The mechanics of CDO creation

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Equity investments and equity corporate actions

Course duration: 1 day

Programme outline:

- **Equities**
  - Equity types: ordinary (common) and preference shares (cumulative, non-cumulative, participating, non-participating).
  - Investing in non-domestic equity securities: depository receipts (GDRs and ADRs).
  - Equity risk and return characteristics.
  - Principles of share valuation – dividend discount models, multiplier models, asset-based valuation.

- **Equity corporate actions**
  - Understanding the effect on client holding, cash position and stock price of the following event categories:
    - Cash dividends, SCRIP dividends and Dividend Reinvestment Plans (DRIPs) including computation of reference and reinvestment prices.
    - Bonus and capitalisation issues and the rationale for bonus rights.
    - B and C shares.
    - Splits and reverse splits,
    - Rights issues and stock buy-backs.
  - The impact of equity corporate actions on derivative contracts. Applying the ratio method to adjust for:
    - Dividends.
    - Bonus issues, stock splits, reverse stock splits.
    - Rights issues.

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Forwards, futures, swaps and options

Course duration: 1 day

Programme outline:

- **Forwards and futures contracts**
    - Long and short forward positions, motivations and payoffs.
    - Pricing and valuation of forward contracts.
    - Futures trading – exchanges, the clearinghouse, margins and price limits.
    - Pricing and valuation of futures contracts.

- **Equity corporate actions**
    - Introduction to swap types and uses.
    - Mechanics of settling an IRS, currency swap, equity swap, commodity swap.
    - Swap pricing and valuation, understanding the factors.

- **Options**
    - Understanding call and put payoff profiles.
    - Computing option value – factors affecting intrinsic value and time value, price sensitivities (the Greeks).
    - Options and derivatives: options on futures, swaptions.
    - Common option strategies: covered calls, collars, spreads, straddles, strangles.

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Investment funds, ETFs, real estate, private equity, hedge funds

Course duration: 1 day

Programme outline:

- **Mutual funds and ETFs**
  - Fund management styles: active versus passive management.
  - Understanding fund performance measures: return, standard deviation, beta, Sharpe ratio, R squared.
  - Understanding mutual fund fee structures.
  - Characteristics of open-end and closed-end funds.
  - ETFs – creation and redemption mechanisms and impact on price.
- **Real estate funds**
  - Real estate as an asset class – characteristics and comparisons.
  - Listed real estate funds, including comprehensive discussion of REITs (US and UK).
  - Unlisted real estate funds.
- **Private equity funds**
  - Private equity structure and fees – general and limited partners, incentive fees, clawback provisions.
  - Understanding the principal private equity strategies: LBO, venture capital (discussion of investing at different stages), distressed investing.
  - Private equity exit strategies.
- **Hedge funds**
  - Comparing hedge funds to mutual funds (instruments used, leverage, short selling, investor characteristics).
  - Understanding principal hedge fund strategies (and their subtypes): equity, event-driven, macro, relative value.
  - Fund of funds investing.
  - Hedge fund fee structures: management and incentive fees, use of hurdle rates, and high-water marks.
  - Hedge fund regulation in principal jurisdictions.

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A4 training

A4 Training
ul. Wąska 11
02-593 Łomianki, PL

Tel: +48 22 100 44 55
Email: contact@a4training.com
Skype: A4training

www.A4training.com

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