Note that, even when both tests have been passed, the financial asset can still be measured at fair value through profit or loss, rather than having it designated to be measured at amortised cost. √1

Financial assets that are equity instruments are normally subsequently measured at **fair value through profit or loss.** **IFRS9** has an increased emphasis upon fair value accounting. √1

It is possible that **Financial assets that are equity instruments are subsequently measured at fair value through other comprehensive income (FVTOCI).** √1

Financial assets can be designated to be measured at FVTOCI and it can apply only to equity instruments. This may apply to, for example, an equity investment which an entity intends to hold on a continuing basis, rather than to take advantage in changes in fair value. Any increases or decreases in fair value upon remeasurement, including impairment losses, are taken to equity. There is no recycling of amounts previously taken to equity upon disposal. Any impairment losses remain within equity and are not recycled to profit or loss for the year. √1 √1

Following initial recognition and classification, financial assets should not be reclassified, unless there are exceptional circumstances, such as an entity changing its business model. The standard identifies that such changes are expected to be infrequent. √1

(b) There are three situations to consider:

- In respect of the sugar beet futures Barking appears to have entered into the derivative as a type of hedge i.e. to minimise the overall risk profile of the company. In other words (as has happened) if the price of the raw material that the company knows that it will have to buy in the future rises it will be covered / compensated by the gain that will occur in respect of the derivative that it has entered into. √1 This type of hedging is known as cash flow hedging as the risk being hedged is a prospective cash flow. In such circumstances it is not possible to have an immediate off set / pairing of a gain and a loss as the future cash has yet to occur. √0.5 The gain on the derivative acting as a cash flow hedging instrument is therefore recognised in equity √0.5 i.e. taken to a reserve / other comprehensive income, where in effect it is held pending at some future date the actual cash flow when it can then be recycled out of equity / reserves and taken to be offset in income statement against the cash flow.

- In respect of the forward foreign exchange currency contracts in Dinars the company √1 appears to have entered into the derivative so that it will act like an insurance policy against changes in the value of the asset of receivables. As such this is an example of hedging.

  In this case however when retranslated the receivable gives rise to a foreign √1 exchange gain! But as this asset has been hedged with a derivative, the derivative produces the opposite effect i.e. the derivative creates a loss and therefore a liability of $40 million. The liability has been reduced by the cash call of $30 million so at the year end the net liability is $10 million. √1

  This type of hedging is known as a fair value hedge as the risk being hedged is the change in value of a recognised asset or liability. As with all hedging the effect is to reduce the overall risk profile of the company. Assuming that the preconditions of hedge accounting are properly met then the standard applies substance over form and ensures that both the gain and loss are immediately offset against each other in the income statement. √0.5