# Download Cash Flow Hedge Accounting Journal Entries

Cash flow hedge is an arrangement to manage risk of changes in cash flows associated with a recognized asset or liability or a probable forecast transaction. It is one of the three hedging arrangements recognized by accounting standards, the others being fair value hedge and net investment hedge.In order to mitigate the risk of such type of changes, we use the term Cash Flow Hedge. In other words, we can say that it is a tool to convert variable cash flows into fixed cash flows. In other words, we can say that it is a tool to convert variable cash flows into fixed cash flows.Cash flow hedge for a forecasted purchase based on a commodities futures contract, accounting for cash flow hedge components fair value, intrinsic value and time value, determine the change in ...Cash flow hedging is used by a company [business] to protect themselves against price risk of their forecasted inventory purchases. Cash flow hedges use derivative instruments to hedge the exposure to variability in expected future cash flows.