



# McMASTER UNIVERSITY

Complete Policy Title: **Financial Instruments Accounting Policy  
- Automatic Election as “Held for Trading”**

Approved by: **Assistant Vice-President (Administration)**

Date of Most Recent Approval: April 2007

Position Responsible for Developing  
and Maintaining the Policy: **Assistant Vice-President (Administration)**

Contact Department: **Assistant Vice-President (Administration)**

**DISCLAIMER:** *If there is a discrepancy between this electronic policy and the written copy held by the Policy owner, the written copy prevails.*

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This accounting policy is the result of the issuance by the CICA of new standards on the accounting and disclosure of financial instruments. A financial instrument is a contract that creates a financial asset for one party and a financial liability or equity instrument for the other. “Financial” means the contract will settle for cash either directly or indirectly. Financial instruments include cash, trade receivables and payables, loans and notes receivable and payable, investments in equities and debt instruments, as well as derivative contracts such as forward contracts, swaps and options.

The new standards require classification of an entity’s financial instruments. Classification determines how each instrument is measured and how gains and losses are recognized. This accounting policy addresses purchases of financial instruments of unrelated entities for investment purposes in accordance with McMaster University’s Statement of Investment Policies and Objectives for the [Investment Pool](#) and the [Working Capital](#) .

This policy provides that all such purchases of investments shall:

- i. be automatically and irrevocably designated as “held for trading” financial assets upon their initial recognition as financial assets of McMaster University; and
- ii not be reclassified from the “held for trading” category while such financial asset is owned by McMaster University.

Excluded from this policy are McMaster University’s current investments in strip bonds associated with the sinking fund for principal repayment of the Hedden Hall mortgage. These strip bonds are classified as “held to maturity” investments.

This policy is effective May 1, 2007.