Help Sheet: Fair Values Bonds

Arlingclose Online Spreadsheets

Purpose

The Fair Values Bonds spreadsheet is designed to calculate the data required for the financial instrument disclosure notes for bond investments, namely fair values, maturity profiles for liquidity risk disclosure and the impact of a 1% rate rise and fall for the market risks disclosure. It also calculates expected credit losses.

This spreadsheet links to the Investments workbook where details of your existing bond investments are saved and to the BondData workbook in the library for current prices and other data. You should enable links when opening the file to access these.

Input

The input and output are both on the Output worksheet.

In cell P1, select the date for which you wish to calculate data. The dropdown list is populated with the dates for which bond prices are available.

Once you update links, the table will be populated with all the bonds you hold on the calculation date. If any bonds are missing, please enter them on the Bonds sheet of the Investments workbook. Note that you should not delete any matured bonds from this spreadsheet, so that prior years' analysis remains correct.

You may alter the sort criteria in cell U1.

Cells AE1 to AK1 allow you to select the years for the maturity analysis.

Bond details copied from the Investments workbook are shown in columns O to T, the previous interest payment date is calculated in column U and the bid price on the calculation date is shown in column V.

Outputs

The fair value is shown in column X. The impact of a 1% rise and fall in market rates on the fair value is shown in columns Y and Z.

The one-year impact of a 1% rate rise on interest receivable is shown in column Z. This will be zero for fixed rate bonds that mature more than one year in the future.

The bond credit rating is shown in column AA; this drives the expected credit loss in column AB.

The undiscounted maturity profile (i.e. contractual payments of principal and interest) is shown in columns AD to AL as required for the liquidity risk disclosure note.

We suggest you save a PDF copy of the file for your working papers.

Methodology

Fair values are calculated by multiplying the nominal value of the bond holdings by the current market price, and adding on accrued interest at the coupon rate. The calculation includes accrued interest for the calculation date to enable direct comparison with the amortised cost as required by accounting standards.

Interest payments in the maturity profile for floating rate notes are based on current interest rate. Principal and interest payments on index-linked bonds are based on the current index ratio.

More Help

If you see errors on the sheet, please check that you are using the UK date format. On Teams and Sharepoint this can be changed under File > Options > Regional Format Settings. Please also select the date from the dropdown list rather than typing it in.

We published details of the IFRS 7 requirements for a liquidity risk disclosure in our April 2023 technical update.

Further help sheets are available at https://www.arlingclose.com/insights/help-sheets.

If you have any further queries, please email the Arlingclose team at treasury@arlingclose.com.

Arlingclose Limited
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