# Review

## MANAGING GLOBAL FINANCIAL RESOURCES

# 17

Evaluate the need for international harmonisation of accounting practice

Discuss sources of investment capital available to international businesses

Describe the techniques used by international organizations to manage working capital

Identify factors in the global economic environment likely to impact upon international financial management goals and accountancy practice

Explain what is meant by corporate governance and why the international organization strives to achieve it

Evaluate capital budgeting techniques used by international organizations

THE INTERNATIONAL FINANCE ENVIRONMENT; FINANCE MANAGEMENT IN THE INTERNATIONAL ORGANIZATION; ACCOUNTING IN THE INTERNATIONAL ORGANIZATION and FINANCIAL CONTROLS & CORPORATE GOVERNANCE

Key concepts introduced in this chapter

Finance | Economics | Accounting | Capital Budgeting |Cost of Capital | Foreign Exchange Risk | Transfer Pricing | Tariff | Multilateral Netting | Fronting Loan | NPV | IRR | ROI | Investment Appraisal |Centralised Depository | Financial Statements | Consolidated Accounts | Agency

Corporate Governance | Auditing | Internal Control

The key issues and concepts discussed in this chapter are shown in Figure 17- 13.

Finance studies the ways in which organizations raise, allocate, and use monetary resources over time, taking into account the risks entailed. The raising of capital to finance an organisation's operations and the decisions of source and use of the financial resources is termed financial management.


The system for recording and summarizing business transactions and activities designed to accumulate, measure, and communicate financial information about economic entities for decision-making purposes is termed accounting. Accounting refers to the overall process of identifying, measuring, recording, interpreting, and communicating the results of economic activity; tracking business income and expenses and using these measurements to answer specific questions about the financial and tax status of the business i.e. it is a system that provides quantitative information about finances. Whereas financial accounting is the use of accounting information for reporting to parties outside the organization, management accounting is concerned with the provisions and use of accounting information to managers within organizations, to provide them with the basis for making informed business decisions that will allow them to be better equipped in their management and control functions.

Corporate governance consists of the set of processes, customs, policies, laws and institutions affecting the way people direct, administer or control an organization. It is the process by which company objectives are established, achieved and monitored. Corporate governance is concerned with the relationships and responsibilities between the board, management, shareholders and other relevant stakeholders within a legal and regulatory framework. One of the key goals of corporate governance is to reduce the Principal Agency problem.

# Key Terms

**ACCOUNTING AND FINANCE FOR INTERNATIONAL BUSINESSE**

" Budgeting, costs and raising finance, any or all of which arise in more than one country, and involve more than one regulatory authority."

**FINANCE**

"a branch of economics concerned with resource allocation as well as resource management, acquisition and investment; deals with matters related to money and markets."

**ACCOUNTING**

"the overall process of identifying, measuring, recording, interpreting, and communicating the results of economic activity"

**ECONOMICS**

"a social science concerned chiefly with description and analysis of the production, distribution, and consumption of goods and services"

**CAPITAL BUDGETING**

the process of analyzing and selecting various proposals for capital expenditures

**FOREIGN EXCHANGE RISK**

the chance of a loss due to an adverse movement in exchange rates

**CORPORATE GOVERNANCE**

the system used to control and direct a company's operations

**INTERNAL CONTROLS**

Structural, Staff and System safeguards to protect assets and ensure reliable accounting records and information systems.

**AUDIT COMMITTEE**

Body formed by a company's board of directors to oversee audit operations