

Example of term paper on accountants and their involvement in financial markets

[Business](#), [Marketing](#)



Introduction

Financial markets in the economy have a role of linking the demanders and also the suppliers of funds. They enable firms and individuals to access capital and invest any surpluses. These are the markets that allow the financial sectors of the economy to run smoothly. However, many individuals do not understand these markets despite their crucial role in the economy. They have varied reasons for their failure to comprehend these markets and these reasons limit their understanding of the markets. This serves as the foundation for the thesis of this paper that is – accountants have a role to play to enhance the understanding of financial markets by addressing the issues raised by the individuals who do not understand financial markets.

Main body

Issues raised in financial markets

Individuals who lack understanding of financial markets advance several reasons for their case. These reasons serve as a hindrance for these individuals to participate in the financial markets. They are explained in the following section.

Complexity of the financial markets

Individuals who lack understanding of the financial market feel that the financial market is complex and they have difficulty analyzing financial data. There are daily fluctuations in price of which many individuals do not understand the cause. In these markets, there is data concerning market indices which reflect the performance. However, this data appears technical

for many individuals and their lack of understanding hinders their interest and participation.

Unpredictable financial market failures

Another reason advanced for the lack of understanding of financial markets regards the failure and downturns in these markets. Despite the high number of experts and financial analysts, these financial market failures are never predicted accurately. Therefore, many individuals lack information on the causes of downturns and hence they do not understand these markets. Some individuals hold that these markets fail unpredictably and hence they feel that they do not understand these markets and attempts to understand these markets are difficult.

Stock market myths

These myths serve as a hindrance and are a challenge that should be addressed by accountants. These myths are major issues that are raised in these financial markets. The first myth is that investing in stocks is similar to gambling. Some individuals deem the stock market to be an unpredictable tool of dedicating funds. In addition, they view it as the chances of losing the invested funds are high, just like in gambling. The other myth that is raised in financial markets is that the stock market is exclusive for brokers and the rich whereby they make money freely. There is the opinion that these markets are controlled by a few individuals and hence participation of many individuals is limited and unsuccessful.

The lack of understanding of these financial markets raises an issue that any fallen stocks will eventually restore to their high price levels. Therefore, a

number of investors make buying decisions based on the current low prices with the expectation of selling these stocks when the prices reach their previous high levels. However, such a belief may lead to failure in that these stocks may fail to recover leading to loss of invested funds. Investors who may commit funds to such companies lose their money since their return per stock is low. In addition, the lack of understanding leads to the belief that stocks that go up must come down. This may fail since a company may keep on performing exemplary well with each financial year. With such a performance, such stock may keep on increasing in price hence investors who wait for prices to fall may not succeed in their strategy.

The other issue that emerges out of the stock market due to lack of understanding is that an investment may be done with possession of little knowledge. It is founded on the notion that an investor is powerful with such little knowledge, as opposed to the one who does not have any knowledge. Such information may lead to poor choices with the belief that the decisions made are informed. However, it may be wise to search for information from financial advisors rather than base an investment decision on limited information and lead to financial loss.

Role of market in commodities, currencies and stocks to global economy

Financial markets have several issues to consider in the economy growth and development. Accountants have roles to play in addressing these issues. Accountants have company information and they are experts in their work hence they may simplify financial information and offer solutions to uninformed investors. Economy in the global level has increased as

according to increasing in market of the stocks. Accountants have played a great role in the provision of the information regarding performance in the market to investors. It depends with the currency, commodity and stock market and economic development in the sector of trade.

Financial flows

Currencies depend with the states and countries as a measure of trade and exchange of products. International trade involves different currencies interaction. It is then subjected to the reference currency to measure the rate of exchange. This introduces an accountant to provide with an accurate measure standard in accordance with the exchange rate. Rating of the level of significance of the currencies depends with the global economy in relation to the level of trade. Accountant has a great role in the determination the rating of different currencies accordingly. It is designed in a manner of bringing reference currency to measure the trade.

Commodities that are in the market are valued in regard to their significance. Accountants have the duty of determination of value in relation to importance and applicability of commodity. The goods and services are made available for trade in international and local customers have different values. This depends with accessibility and cost of the raw materials.

Accountants have a role of determination of the cost of the product in relation of market.

In the determination of flow of finances, accountants are key personnel in the enhancement of business operations. This is projected to the economic level in the performance of markets of commodities, currencies and stock

trade. Accountant has responsibility of ensuring operation of the organization is meeting standards. This is through provision of the advice to the management. Financial institution depends with the accountant advice and reports concerning development. It helps in realization of the organization objectives as well as meeting effective steps of economic growth.

Accountants act as advisory agents of the financial matters to the investors and organization. Market of currencies and stocks are uncertain and poses some risk to the traders. This leads to needing of the financial advisor who has the knowledge of the past trend in the sector. With a history of the trend, prediction is more likely to be correct hence minimizing the risk.

Investors in the stock market are usually using the principles of determination basing with the past performance in the market. This helps them in deciding the amount to use in investment and which bonds. At this point accountants act as the financial advisors because they have the current figures in the market.

Currency rates depend with the economic factors such as inflation and nature of the market. Accountants have the role of advising the investors on the level of trade in regard to the situation. It makes investors consider getting the updates of market situation especially in currency exchange rate. The immediate person to contact is an accountant for projection in the market situation. Inflation causes the price increase of the commodities making it difficult to acquire products as expected. The issue of evaluation and evaluation of the currency has effect to the economic level and development.

Cost saving

Cost saving advice to management is a function of accountants. It updates and keeps the management in the track in ensuring the intended development in an organization is met. Accountants are supposed to provide reports and advices to the management accordingly in enhancing proper use of the available resources. This makes the production of the commodities in the business to take control and accountable to the producers. Accounting helps in understanding of the costs reduction in the entire manufacturing as well as setting the prices of commodities. Management has a chance to improve in their productivity and profitability through help of accountants. Global economics benefits from the maximum utilization of the resources as the cost is reduced. This leads to improvement in the trading among international trade blocs and countries. In the currency exchange, the financial analysts and financial institution has to base their decision according from the reports provided by an accountant. The updates in the sector in performance in exchange have to be valued and the release of the situation are exact done to all stakeholders. This help in enhancing uniform and reference source that should be applied in trading. This is to prevent confusion in the sector leading investors to lack correct information. This can risk losing their part of the investment and incur a loss. Therefore, accountant helps the investors to save cash and prevent loss incurring as they provide advice services.

Commodity market minimizes the cost from the point of raw material, manufacturing, production stage and distribution. These stages of commodity production have to pass various stages that are vital in the

marketing. Costs that are associated with each stage have to be minimized with the aim of making more profit. An organization especially in the international level has to come up with the strategy of reducing cost. Technology improvement especially in the accounting field has made the entire costing easier in determination of the cost that is involved in every sector and stage. The accountant challenges in the determination of the cost level requires more simplified programs that are computerized with the cost levels that can help in cost assessing. This helps in setting the product prices in various markets both locally and internationally.

The rates of the stock market are determined according to the performances of different corporations. Accountants as the advisers have to proof to the investors on the possibility of profit making. This is through reduction of the expenses that may cause the profit to go down. The company that investors want to invest with has to proof using the previous records in the bond trade. These are the financial reports as well as account records. They give the investor courage to trade in the stock in regard to the measures taken in reduction of risks of loss making. Finally, accountants have the role of ensuring the cost is managed through proper advice to the management. The failure of accountant results to the failure of an organization. This is entirely projected to the entire financial sector as well as to the economic level globally. The knowledge of cost analysis contributes to profit designing as setting of the targets in an organization.

Investment appraisal

Accountants have a role of appraising the investment and valuation of opportunities that can results. Having the knowledge in the determination of opportunities, in investment, the investors and business individuals use their personal accountants in acquiring advices. Economic growth and development depend with viable investment an all sectors of production. An accountant evaluates all sectors in prospect of the possible returns in the long run and then directs the investor in the field to invest. Companies have to utilize the minimal resources that they have and project to the long run benefit.

Accountants have the privilege in having knowledge of calculating the worthiness of an investment. This is among another profession such as finance that is capable of determination on the status of investment. It gives an organization a chance to invest in a viable project as they do an assessment and provide with report that advises the management on the area and profitable investment. Therefore, accounting as well as financial consultants has a great role in providing information to the investors on the productive sectors. This helps in improving the economic sector of the States to a level of international competition in marketing.

In conclusion, in financial sectors accountants has a role to participate in the economic development. This has been proved through different roles that they play in the economic growth. The organization uses the accountant in the sectors that require accountability and trustworthy especially in account handling and reporting. This is the heart of an organization and care and cautions are highly applied. At this position, they are a trustee of the

organization as well as economic growth as they enhance organizational development.

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