

Ifrs essay examples

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



Introduction

International financial reporting standards are useful in guiding and regulating the financial markets as well as recognition and presentation of financial information in the right manner. The IFRSs are meant to regulate the operations in the financial markets. The regulation of the general financial market is basically based on the international reporting standards. The application of the international financial reporting standards helps in reducing various business risks depending on the specific activity that they perform.

The application of the IFRSs is essential in the specific areas of business helps in reducing risks that are associated with failures in different sectors of business if they are not taken into consideration. The application of IFRSs is useful in ensuring effective operation of the business activities. When the IFRSs are well taken into account, then the business is likely to reduce the levels of risks in the business. The reduced rates of risks will increase the chances of the business to succeed.(Tarantino, 2009 pg. 38)

The risk that relates to each business depends on the circumstances that surround that business. Risks therefore vary and are of different natures but in this case our main focus is based on the financial matters that relates to the organization. The right application of these regulations and principles help reduce the chances of business failure by enabling businesses to run smoothly. The chances of business failure are therefore reduced if the standards are well taken into consideration. Proper use of financial resources ensures a safe business. Business risks therefore differ with the levels and amounts of transactions that have taken place.

The proper application of IFRSs ensures that the funds of the organization are used in the most appropriate manner. This is done through preparation of financial statements and reports in compliance with these international financial reporting standards. Compliance with the IFRSs ensures accountability and transparency in the presentation of the funds of an organization. The finances of an organization will be well budgeted for and this helps reduce the risk of mismanagement of finances which may result from poor financial reporting. These help the organization to avoid the financial risk that may arise from management of the financial resources of the company or organization. (Tarantino, 2009), pg. 53)

International financial reporting standards (IFRSs) helps in reducing the market risks which always results from market failures or poor decision making pertaining to marketing plans and strategies. These standards help investors in deciding on the markets that are worth investing in. The knowledge of IFRSs is useful in determining the efficiency of the markets depending on the information that is available in the markets. The access of market information as well as ability to interpret the information in the market enables the organization to marketers of an organization of to invest in the capital markets which are likely to yield higher returns.

Financial risks are well catered for by the use of IFRS, this is done through the use of financial instruments such as financial assets and financial liabilities. These instruments help the organization to make financial decisions that are profitable in order in order to avoid the decisions that may lead to making losses. The appropriate use of financial assets helps the organization to estimate the projects that are associated with less risk

leading to profitable business. Financial liabilities are useful tools in estimation of liquidity risks which therefore helps the business avoid financial risks that are likely to result in financial losses from the poor liquidity positions of the business. (Marchetti, 2012 pg. 42)

Liquidity risks arise when the company faces difficulties in meeting its financial obligations which are due. The IFRS7 which deals with financial risk management enables the organization avoid the decisions that are associated with liquidity risks as they make their investment decisions. The company will be in apposition to make wise decisions regarding sufficient liquid cash to complete the transactions at hand.

In the context of credit risks, the companies may make financial losses as a result of failure to meet the contractual terms and obligations. The ways to handle credit risks have been highlighted in IFRS7 in order to ensure that the business can avoid such credit crisis in order to continue in business. The knowledge of the IFRS helps in determination of the credit risks therefore the customers are evaluated and assessed on the level of credit risks attached to them.

The knowledge of market risks is emphasized in IFRS7 because it relate to the changes in interest rate, foreign exchange rates as well as other price changes. IFRS7 gives guidelines in relation to the interest rates which influence the capability to borrow loans depending on their levels of market interest rates. Borrowing of the company is greatly affected by the changes in market interest rates. The knowledge of IFRSs ha greatly helped in making financial decisions through regulation of interest rates in order to reduce the market risks. (Marchetti, 2012 pg. 32)

The knowledge of foreign currency exchange currency risks has really helped in determination of market fluctuations in order to curb the disparities in the foreign exchange markets.

The use of IFRS has been greatly used in auditing in order to determine areas of that contain material misstatements which are needed in order to perform the audit test and risks in the transactions. The risks are discouraged and investigated into using the principles that underlie the, for instance, the goodwill of a company.

In conclusion, the IFRS plays a great role in reducing risks in both operational and transactional activities as well as the processes of the country.

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