

ICAG BUSINESS LESSONS (WEEK 30)

Good morning

This is week 30 of the year 2022 in the Gregorian calendar. 22 weeks remain until the end of the year.

MONDAY MOTIVATION

It's Monday. Get a new perspective. Whatever obstacle you're facing—it's not permanent.

—Unknown

FINANCE AND INVESTMENT QUOTE OF THE WEEK

It's not how much money you make, but how much money you keep, how hard it works for you, and how many generations you keep it for.

— Robert Kiyosaki

INVESTMENT CONCEPT OF THE WEEK: TREASURY MANAGEMENT FUNCTION

The treasury management function deals with the management of monetary assets and liabilities particularly cash, and financial risks.

Areas of treasury management include;

- Cash management and liquidity management
- Banking relationships
- Obtaining short-term and long-term funding
- Financial forecasting and planning
- Managing interest rate risks and currency risks
- Management of financial investments.

Financial risk management

The treasury department is usually responsible for the management of financial risk. Financial risks facing companies include:

- Foreign exchange risk or currency risk;
- Interest rate risk;
- Commodity risk;
- Market risk, where companies hold large quantities of market securities as financial investments.

Currency Risk

Currency risk arises for any company that exports goods or services, imports goods or services, or borrows in a foreign currency such as the US dollar.

The risk arise both:

- In the short-term on current trading transactions involving a foreign currency, and on foreign currency loans, and also
- In the longer-term, due to the gradual increase or fall in exchange value of a country's currency over time.

Interest Rate Risk

Interest rate risk is the risk from unexpected increases or falls in an interest rate.

For companies borrowing at a variable rate of interest, the main risk comes from the possibility of a rise in interest rates.

For companies borrowing at a fixed rate of interest, the main risk comes from the possibility of a fall in interest rates above the current market rate.

Commodity Risk

Commodity risk comes from the risk of movements in the prices of commodities such as gold, cocoa beans, copra, etc between the time that transactions in commodities are agreed between producer and buyer, and the time that they are paid for.

Financial Risks and Treasury Management.

Currency risks, interest rate risks and commodity risks can be managed, for instance, by arranging forward contracts that fix a price or a rate. The treasury management function is usually responsible for managing these risks.

THIS WEEK IN HISTORY – TOP 10 EVENTS

25/07/ 2012 - The UK economy returns to recession with a fall of 0.2% in GDP in the first quarter of 2012 following a fall of 0.3% in the last quarter of 2011

25/07/ 2001 - Faced with declining oil prices, OPEC ministers agree to cut crude oil production quotas by about 4%, or 1 million barrels per day

26/07/ 2018 - Facebook has the single worst day of any public company on the stock market - losing 19% or \$119 billion market value

26/07/ 1963 - The Organization for Economic Cooperation and Development votes to admit Japan

27/07/ 1866 – The first permanent transatlantic telegraph cable is successfully completed, stretching from Valentia Island, Ireland, to Heart's Content, Newfoundland.

28/07/ 1988 - Jordan cancels \$1.3 billion development plan in West Bank

28/07/ - 1988 IBM announces price hike on older models

28/07/ 1978 - Price of gold tops \$200-an-oz level for 1st time

29/07/ 2015 - Microsoft launches Windows 10

29/07/ 1957 – The International Atomic Energy Agency is established.

Have a fruitful week!

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Please send all comments and suggestions **to Alhassan Trawule on 0242 732976.**

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