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ACCOUNTING FOR CASH FUNDS AND FOREIGN CURRENCY OPERATIONS

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Annotation. This article examines the theoretical and practical aspects of accounting for cash funds and foreign currency operations in modern enterprises. Cash resources and foreign currency transactions play a crucial role in ensuring liquidity, financial stability, and effective international economic relations. The study analyzes the principles of cash accounting, cash flow control, and documentation procedures in accordance with international accounting standards. Special attention is given to foreign currency transactions, including exchange rate differences, valuation, and revaluation processes. The article also highlights the impact of digital banking systems and automated accounting technologies on improving the accuracy and transparency of cash and foreign currency operations accounting.

Keywords: cash accounting, cash flow, foreign currency operations, exchange rate differences, financial reporting, liquidity management, international accounting standards, banking operations, financial control, digital accounting systems.

In modern economic conditions, the effective management and accurate accounting of cash funds and foreign currency operations have become one of the most important areas of financial accounting. Cash resources represent the most liquid assets of an enterprise, directly influencing its ability to meet short-term obligations, ensure uninterrupted operational activity, and maintain overall financial stability. At the same time, foreign currency operations play an increasingly significant role in the context of globalization, international trade expansion, and the integration of national economies into the world financial system.

The relevance of this topic is primarily driven by the growing importance of liquidity management in enterprises. Proper accounting of cash funds allows organizations to monitor inflows and outflows of money, prevent cash shortages, and ensure efficient allocation of financial resources. Inaccurate cash accounting can lead to payment delays, loss of business reputation, and even financial instability. Therefore, maintaining transparent and reliable cash accounting systems is essential for sustainable business operations.

Another key factor increasing the importance of this topic is the expansion of foreign economic activity and currency transactions. Today, many enterprises engage in import-export operations, international contracts, and cross-border investments. These activities require accurate accounting of foreign currency transactions, including the recognition of exchange rate differences, valuation of monetary assets, and compliance with international financial reporting standards (IFRS). Fluctuations in exchange rates can significantly affect the financial results of enterprises, making proper accounting and risk management in this area extremely important.

Furthermore, the volatility of global financial markets adds additional complexity to foreign currency accounting. Changes in exchange rates, inflation levels, and monetary policies of different countries directly influence the value of foreign currency assets and liabilities. As a result, enterprises must continuously monitor currency risks and apply appropriate accounting methods to reflect these changes accurately in financial statements.

The importance of this topic is also increased by the rapid development of digital banking systems and financial technologies. Modern accounting software, electronic payment systems, and automated banking platforms have significantly transformed the way cash and foreign currency operations are recorded and controlled. These technologies allow for real-time monitoring of transactions, reduce human errors, and improve the transparency and accuracy of

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financial data. However, the effective use of such systems requires proper integration with accounting standards and skilled personnel.

In addition, regulatory requirements and international accounting standards place high demands on the accuracy and reliability of cash and foreign currency accounting. Enterprises are required to ensure proper documentation, timely recording of transactions, and correct application of exchange rates. Failure to comply with these requirements may lead to financial penalties, reporting errors, and loss of investor confidence.

The accounting of cash funds and foreign currency operations has been widely discussed in both classical and modern accounting literature, as it represents a fundamental component of financial accounting and international business activity. Early research in this field primarily focused on basic cash management principles, emphasizing the importance of liquidity control, accurate recording of cash transactions, and the role of cash in ensuring the continuity of business operations. Classical accounting scholars such as Paton and Littleton highlighted the importance of reliable financial information and proper classification of monetary resources in enterprise accounting systems.

With the development of international business relations and globalization, the literature on foreign currency operations has significantly expanded. Researchers have increasingly focused on the impact of exchange rate fluctuations on financial statements and the need for accurate valuation of foreign currency assets and liabilities. The introduction of International Financial Reporting Standards (IFRS), particularly IAS 21 “The Effects of Changes in Foreign Exchange Rates,” has become a key milestone in standardizing the accounting treatment of foreign currency transactions. This standard provides guidance on the recognition, measurement, and reporting of exchange rate differences, which has been widely analyzed in academic studies.

Many scholars, including Horngren, Datar, and Rajan, emphasize that cash flow management is not only an accounting function but also a strategic financial tool. Their research highlights that proper cash flow analysis helps enterprises maintain liquidity, plan investments, and avoid financial risks. Similarly, contemporary studies show that effective cash management systems are essential for maintaining solvency and ensuring efficient working capital management.

Another important direction in the literature is the analysis of foreign exchange risk management. Researchers argue that enterprises engaged in international operations are exposed to currency risk, which can significantly affect profitability. Studies suggest that companies use various hedging strategies, such as forward contracts and currency swaps, to minimize the impact of exchange rate volatility. These risk management tools have been widely examined in both theoretical and empirical research.

In recent years, digitalization has become a key focus in the literature on cash and foreign currency accounting. The implementation of electronic banking systems, automated accounting software, and Enterprise Resource Planning (ERP) systems has transformed traditional accounting practices. According to Granlund and Malmi, digital technologies enhance the accuracy, speed, and transparency of financial transactions, while also reducing operational risks and human errors.

Despite the progress in this field, several challenges remain unresolved. These include difficulties in accurately forecasting exchange rate movements, inconsistencies in the application of accounting standards across different countries, and the complexity of integrating foreign currency operations into automated accounting systems. Researchers emphasize the need for continuous improvement in accounting methodologies and stronger alignment with international standards.

In modern economic conditions, accounting for cash funds and foreign currency operations has become increasingly complex due to globalization, financial market volatility, and rapid technological development. Despite its importance for ensuring liquidity, financial stability, and accurate reporting, enterprises face several serious challenges in this area. These problems are

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related to both internal accounting practices and external economic factors, and they require systematic and well-structured solutions.

One of the main problems is the inaccuracy and delays in cash accounting processes. In many enterprises, cash transactions are still recorded manually or with insufficient automation, which leads to errors, inconsistencies, and late reporting. As a result, management may not have up-to-date information about the actual cash position of the organization, which can negatively affect decision-making and liquidity management.

To solve this problem, it is necessary to implement modern automated accounting systems and digital cash management tools. The use of Enterprise Resource Planning (ERP) systems and electronic payment platforms allows real-time recording of cash transactions, reduces human errors, and ensures timely financial reporting.

Another significant issue is the high risk associated with foreign currency fluctuations. Exchange rate volatility can lead to unexpected gains or losses, affecting the financial performance of enterprises engaged in international trade. Many organizations struggle to properly account for exchange rate differences, which may distort financial results.

This problem can be addressed through the implementation of effective foreign exchange risk management strategies, such as hedging techniques, forward contracts, and currency diversification. Additionally, strict application of International Accounting Standard IAS 21 ensures proper recognition and reporting of exchange rate differences in financial statements.

A further problem is the insufficient control over cash flows and liquidity management. Some enterprises fail to maintain proper monitoring of cash inflows and outflows, resulting in cash shortages or inefficient use of financial resources. This situation may lead to difficulties in meeting short-term obligations.

The solution to this issue lies in the introduction of cash flow planning and forecasting systems. Regular cash flow analysis, budgeting, and financial forecasting enable enterprises to maintain optimal liquidity levels and avoid financial disruptions.

Another challenge is the complexity of accounting for foreign currency transactions under international standards. Differences between national accounting rules and IFRS requirements often create difficulties for accountants, leading to inconsistencies in financial reporting.

To overcome this problem, it is necessary to improve professional training and ensure continuous education of accounting staff. Enterprises should also adopt standardized accounting policies aligned with IFRS to ensure consistency, transparency, and comparability of financial data.

In addition, the lack of integration between banking systems and accounting software remains a significant issue. In many cases, bank transactions are not fully synchronized with internal accounting systems, which increases the risk of errors and data discrepancies.

This issue can be resolved through full integration of banking services with accounting and ERP systems, enabling automatic data exchange, real-time transaction tracking, and improved financial control.

Finally, the insufficient use of analytical tools in financial decision-making is another important problem. Many enterprises focus only on recording transactions without conducting in-depth analysis of cash flows and currency operations.

To address this, companies should implement financial analytics and business intelligence (BI) systems. These tools help in identifying trends, forecasting currency risks, and optimizing cash management strategies.

In conclusion, although cash funds and foreign currency operations accounting faces several challenges, these problems can be effectively solved through digitalization, risk management strategies, professional development, and the implementation of international accounting standards. Such measures will significantly improve financial accuracy, strengthen liquidity management, and enhance the overall financial stability of enterprises.

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