SPECIFIC PROBLEMS AND APPROACHES IN CONVERTING ACCOUNTING INFORMATION INTO DIFFERENT CURRENCIES FOR MANAGEMENT PURPOSES IN MODERN GLOBAL COMPANIES

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Abstract: Among the biggest challenges facing today's companies developing global activities are the exchange rates between different currencies and their continuous changes. A typical characteristic of this type of companies is that their constituent divisions – subsidiaries, are located in many countries around the world and the accounting of their activities, as well as the compilation of their financial reports, is associated with using of various currencies. Fluctuations in exchange rates create a number of problems for global companies both in connection with financial reports intended for different external users and with the conduct of internal management processes within their international borders.

The main objective of the article is to substantiate the significant role of accounting information in reflecting influence of exchange rates in processes of making management decisions in modern companies with global operations and the need to apply specific approaches to converting this information into different currencies for the purposes of managing the company's overseas divisions operating in different countries around the world. To achieve this main objective, the following tasks are set for solution:

- to argue the significance of exchange rates in the implementation of management processes within global companies, in particular in drawing up plans, analyzing, controlling and coordinating the various activities carried out through constituent structural divisions in different geographical regions worldwide;
- to systematize the key tasks in the processes of managing global operations, which need to be solved using accounting information in the local currencies of individual overseas divisions and also in the common currency for the company, and require intra-corporate currency conversions;
- to explore the specific issues and challenges associated with converting accounting information into different currencies for the purposes of managing a company's global operations;
- to examine in a comparative manner alternative approaches for currency conversions of accounting information for management purposes in global companies and to highlight their advantages and disadvantages.

In methodical terms, the use of a systemic approach is of essential importance in examining the problematic issues in this article. From the position of this approach, the problems associated with reflecting the influence of exchange rates are considered in the context of the unified system for making management decisions typical for global companies and the coherence of goals in a global plan for achieving global optimization. The research methodology also includes the inductive and deductive methods, analysis, synthesis, observations, comparisons, etc.

The incorrect choice of approaches for currency conversion can lead to distortion of information, to erroneous judgments and incorrect management decisions. Only by accurately reflecting the impact of exchange rates and carefully analyzing the effects resulting from their changes can an objective assessment of results be ensured and reasoned decision-making in management processes be supported, both at the division level and at the corporate level as a whole.

Keywords: exchange rates, accounting information, global companies.

1. INTRODUCTION

Among the biggest challenges facing today's companies developing global activities are the exchange rates between different currencies and their continuous changes. A typical characteristic of this type of companies is that their constituent divisions – subsidiaries, are located in many countries around the world and the accounting of their activities, as well as the compilation of their financial reports, is associated with using of various currencies. Fluctuations in exchange rates create a number of problems for global companies both in connection with financial reports intended for different external users and with the conduct of internal management processes within their international borders, in particular in the analysis, planning and control of the activities of divisions operating in different countries and of the company as a whole. The conversion of financial reports of overseas divisions from respective currencies in which they are completed into parent company's currency is necessary in order to apply a single currency for compilation of consolidated financial reports. At the same time, converting information into different currencies is necessary when making relevant decisions at the various hierarchical levels in organizational structure of the company in the management of developed global activity.

2. MAIN OBJECTIVE, TASKS AND METHODS OF SCIENTIFIC RESEARCH OF THE ISSUES IN THE ARTICLE

The main objective of the article is to substantiate the significant role of accounting information in reflecting influence of exchange rates in processes of making management decisions in modern companies with global operations and the need to apply specific approaches to converting this information into different currencies for the purposes of managing the company's overseas divisions operating in different countries around the world. To achieve this main objective, the following tasks are set for solution:

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3. SPECIFIC PROBLEMS RELATED TO CONVERTING ACCOUNTING INFORMATION INTO DIFFERENT CURRENCIES FOR MANAGEMENT PURPOSES IN MODERN GLOBAL COMPANIES

The converted information from financial reports of overseas divisions for the purposes of consolidation procedures in compliance with the rules of the relevant financial reporting standards is not sufficient for the implementation of internal decision-making processes in global companies. "Translation of foreign currency(ies) is required primarily for consolidation of financial statements of the subsidiary(ies) with that of the parent company. The other advantages associated with translation are performance evaluation of the subsidiary(ies), informed decision making by the stakeholders and communication to the global audience" (Mohapatra, 2025, p.55).

The significant impact that exchange rates dynamics exert on large-scale activity of global companies requires ensuring an effective organization for the creation and use in the management of appropriate, sufficiently detailed accounting information for the effects caused by them. In today's conditions these companies "view the entire world as a single source of supply of resources and as a single global space to deploy their various investment, production, trade and other activities" (Petrova, 2018, p.295). They "are increasingly influencing the development of globalization processes in the sphere of accounting" (Petrova, 2025, p.33). Some of the most important factors contributing to the development of globalization in recent years are "liberalization of cross-border trade and resource movements" (Daniels, Radebaugh, Sullivan, Click, 2022, p.53).

Due to their key importance, exchange rates and their dynamics are considered an inherent component of the internal management processes in global companies, specifically in drawing up plans, analyzing, controlling and coordinating the operations carried out in different geographical regions worldwide. All this determines the need to use specific methods of currency conversion of information in the management of global activity, different from those applicable in preparing financial reports and disclosing information to various stakeholders. According to Igwe and Umobomg "understanding the benefits and drawbacks of each foreign currency translation method is crucial for companies to settle for informed decisions about which method to use" (Igwe, Umobomg, 2026, p.48).

The key tasks in the processes of managing global activities, which need to be solved using accounting information in the local currencies of different overseas divisions and also in the company's common currency, and require intra-corporate currency conversions, can be systematized as follows:

• meeting the information needs simultaneously of the different management levels in the complex international hierarchical organizational-management structure of the company, at which decision-making is carried out;
• to achieve effective coordination of the activities of the individual structural divisions of the global company, so as to successfully realize the coherence of goals characteristic of it, aimed at achieving global optimization of resources and results;
• to provide appropriate information that allows the central management of the company to make effective decisions regarding the overall strategy on a global basis and the compilation of the general strategic plan,

which meets the important requirement for coordination of goals, i.e. the specific goals set for the all divisions must correspond to the unified company's goals;

• to provide information for preparation of plans of the individual foreign divisions, taking into account that the plan of each of these divisions should be developed in the local currency of the country in which it is located, as well as in the single currency of the company, in order to be included as a component of the general plan for global activities;

• providing information to local managers of overseas divisions about planned goals that the company's central management sets for them to implement, presented in the common company's currency and the local currency for the respective country;

• for controlling and analyzing the activities of the overseas divisions, their actual achievements and implementation of the set planned goals;

• to carry out effective control and reliable assessments of the performance of local managers of divisions in individual countries, taking into account and eliminating from the assessments the influence of factors beyond their control, including the impact of exchange rate fluctuations;

• to make sound management decisions regarding the company's global investments planning and analyzing the effectiveness of these decisions;

• for analyzing the return on investments on a global scale using company's common currency;

• to assess the past, current and future return on investments of foreign activities and to compare the results achieved by the various divisions operating abroad;

• to carry out the necessary detailed analyses for management purposes of the arising gains and losses from exchange rate differences for company due to exchange rates dynamics.

The centralized coordination of global activities, typical for global companies, and the fact that many decisions concerning both the company's overall profit and the profit of each of the overseas divisions are made by the central management, create specific problems in analyzing the implemented operations. One of the fundamental issues in this regard is to apply effective methods for separately analyzing the activity of each individual division and the performance of its manager. The centralized coordination of global activities leads to difficulties in assessing the work of local managers of divisions abroad due to the fact that they do not have the authority to make many of the important decisions affecting the financial results of their activities. Distinguishing between the analyses of the activities of the respective division and the work of its manager is of utmost importance for the correct determination of their specific results contributing to achieving the company's desired optimization on a global basis. Assessments regarding division managers should be based on the results of the activity, that are achieved through the decisions they make and that they can control. Incorrect assessments in the analysis of performance have a negative effect on the motivation and behavior of managers and can lead to actions that are not in the company's interest. It is especially important to isolate the impact of external factors that managers cannot control, such as the exchange rates fluctuation. These specific issues must be taken into account when choosing approaches for converting information into different currencies for management purposes in companies with global business. The effects of exchange rates dynamics "have a significant impact on the financial results of the realized international activities and on key indicators for business analysis" (Petrova, 2023, p.93).

Reported financial results, as well as return on investments, determined in the common company's currency are important indicators for comparative analyses of results of various overseas divisions and for establishing their contribution to the overall global activity of the company. However, these indicators are not always suitable for application in assessing the work of managers responsible for divisions operating abroad. For this purpose, it is more appropriate to use results measured in the local currency of the specific country and consistent with the set operational objectives of the respective division, considered in the context of the company's implementation of the coherence of the goals of all its constituent structural units. The presentation of operating results in the local currency provides a more complete and accurate picture of the division's activities, especially when it operates in conditions of unstable currency. This allows the analysis of the results to be tailored to the specifics of the economic, social and other parameters of environment in countries where the overseas divisions are located. Significant difficulties in analyzing the activity of overseas divisions and performance of managers responsible for them are caused by the lack of sufficiently detailed information that the central management can use in order to make correct assessments of the peculiarities of the factors of the local environment and the dynamic changes occurring in them. It is also necessary to note that the practical implementation of detailed, in-depth and precise analyses of the activities of all constituent divisions based on the different national currencies of the host countries where they are located is complex and associated with many challenges. For this reason, global companies usually make their strategic management decisions based on information presented in parent company's currency. However, when different management levels in the organizational-management structure use different currency bases for analysis and decision-making, difficulties arise in coordinating goals and effectively allocating resources within the entire company. Therefore, it is essential to optimize the accounting and information support of management and for the purposes of making decision regarding activities at a global level to ensure rational use of information both in common company's currency and, in addition to it, relevant information in the local currencies of foreign divisions.

The practice of companies with global business shows that in processes of managing activities of foreign divisions, special emphasis is placed on comparative analyses between planned and actually achieved results. The definition of strategic planning goals, monitoring and analyzing their achievement, is based on the currency of the parent company. An essential factor in these processes are exchange rates, since through them the results of individual divisions are converted into the single corporate currency. The selected methods of currency conversion can significantly affect the way in which financial indicators are presented and interpreted at the corporate level. Therefore, the selection of appropriate exchange rates between the local currencies of foreign divisions and the currency of the parent company for internal management purposes is among the most serious challenges facing companies with global operations. It influences both the development of plans for the activities of foreign divisions, as well as the monitoring of their implementation and the assessment of the achieved results. It is possible that part of the deviations between the planned and actual results are due not to the management decisions taken or the efficiency of the division's activities, but to the changes in exchange rates that have occurred. Therefore, it is necessary for company's headquarters to analyze carefully the influence of the currency factor in order to be able to correctly assess the real performance of each division. "Great care should be taken to avoid leading subsidiaries to take inappropriate actions simply because of the rules of the internal accounting system by which they are measured. In particular, practices adopted for translating budgets and accounts into a common currency can distort performance and lead managers to cover themselves against exchange risk" (Robock, Simmonds, 1989, pp.537-538).

4. ALTERNATIVE APPROACHES FOR CURRENCY CONVERTIONS OF ACCOUNTING INFORMATION FOR MANAGEMENT PURPOSES IN GLOBAL COMPANIES

Conceptually, the main options for choosing exchange rates to be applied when valuing operating budgets for foreign operations and translating actual results are: initial, projected and ending exchange rates (Lessard, Lorange, 1977, pp.628-637).

The initial rate is the spot rate at the time of drawing up the budget. The projected rate represents a forecast rate that refers to the end of budget period. The ending rate is the actual spot rate that exists at the end of budget period when a comparison is made between budgeted and actually achieved results.

When drawing up the operating plan and when assessing its actual implementation, the same exchange rate can be used or different exchange rates can be applied. Alternative methods for currency conversion of information when performing comparative analyses of planned goals and their real practical realization are formed by combining the exchange rates presented above in different ways.

Among the most widely used combinations of exchange rates for the purposes of management of operations of overseas divisions of global companies are:

- First combination:

a) for valuing the budget – the actual spot rate for the start day of the period to which the budget applies (initial rate);

b) for valuing actually achieved results – the final spot rate for the closing date of the period to which the budget relates.

- Second combination:

a) for valuing the budget - forecast rate determined when drawing up this budget;

b) for valuing actual realization - the same forecast exchange rate projected when drawing up the budget and relating to closing date of the budget period.

- Third combination:

a) for valuing the budget - forecast exchange rate;

b) for valuing actually achieved results - actual spot rate for the end of the period to which the budget applies.

In the first combination, since the plan is valued by applying the actual spot rate for the date of its development, and its real practical implementation is valued at the final spot rate for the closing date of the period to which the budget relates, the judgments about activities of the overseas division and the work of their managers will be affected not only by changes in the conditions of the local business environments surrounding the divisions, but also by exchange rates dynamics during the time under consideration. In this case, "the subsidiary manager will absorb the full impact of changes in the local environment and fluctuating currencies" (Mueller, Gernon, Meek, 1994, p.158).

Given that a forecast rate is used for the preparation of the plan, which refers to closing date of planning period, and it is also used to value actually achieved results, the assessment of the activity will be affected by changes in the parameters of the local environment, but the influence of changes in exchange rates will be eliminated.

When the third possible option for combining exchange rates is applied, changes in the local environments, as well as unforeseen exchange rates changes, will have an impact on the assessment of activities of the division and its manager.

Comparative analyses of planned and actual performance are a very important indicator in assessing the performance of managers of foreign divisions of companies with global operations and in monitoring the implementation of planned goals in the management process. Therefore, it is of key importance when forming judgments to isolate the impact of exchange rates dynamics during analyzed period. Exclusion of the influence of exchange rates can be ensured not only with the second option for combining rates, discussed above, i.e. by applying a forecast rate, but also with two other possible combinations. Their application is also associated with the use of the same exchange rates for determination of values of planned and actual indicators. In them, both the budget and its real practical implementation are evaluated using the current spot rate on the date of preparation of this budget, or respectively using the final rate on closing date of the budget period. These options for combining exchange rates are logically justified, because the change in rates does not affect assessments of the achieved results and the work of the managers of the overseas divisions. The main advantage of the applied forecast exchange rates can be highlighted that they play the role of stable intra-corporate rates, through which the influence of exchange rate dynamics is eliminated in assessment of actual performance and by applying these rates in preparation of the plans for the activities of the constituent structural divisions, the best possible alternative options for the company are sought. "If performance is evaluated by comparing budgeted to actual results in parent currency, exchange rate variances can be avoided by using the same exchange rate to translate the budget and actual results" (Doupnik, Perera, 2015, p.662). According to Choi and Meek, "fluctuating currency values can turn profits (measured in local currency) into losses (expressed in home country currency)" (Choi, Meek, 2014, p.366). "An unexpected currency devaluation can eliminate a subsidiary’s entire annual budgeted profit" (Mueller, Gernon, Meek, 1987, p.133).

5. CONCLUSIONS

The effective practical implementation of the budgeting and controlling processes in the management of global companies requires the establishment of relevant methods for precise assessments of operations of overseas divisions, which should be consistent with their planning goals and at the same time with the specific features of the surrounding business environment in which they operate. The incorrect choice of currency translation approaches can lead to distortion of information, erroneous judgments and incorrect management decisions. Only by accurately reflecting the influence of exchange rates and carefully analyzing the effects resulting from their changes can an objective assessment of the results be ensured and support the making of reasoned decisions in the management processes, both at the division level and at the corporate level as a whole.

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