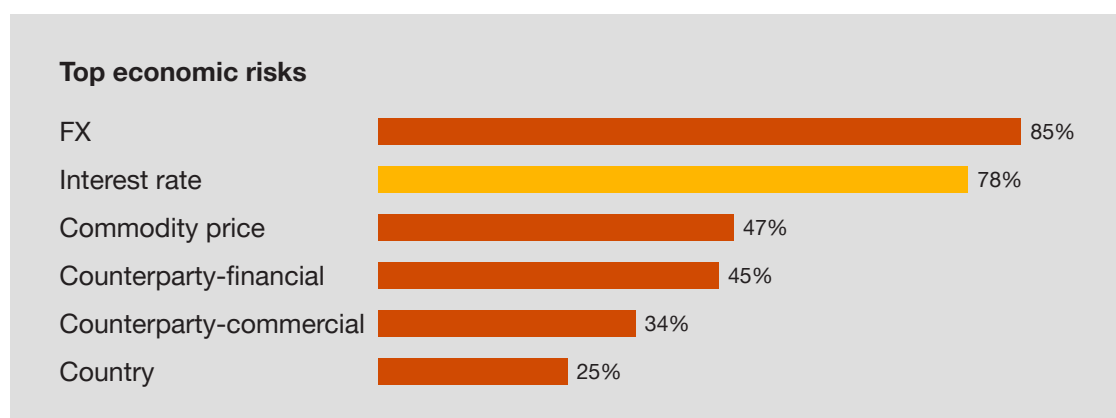


# Foreign exchange (FX) risk



The PwC Global Treasury Survey for 2023 shows that as in past years, foreign exchange (FX) risk continues to remain the top economic risk concern of respondents. Understanding how exchange rate fluctuations can impact a company's accounting results is complex. Finance professionals face a major challenge in demonstrating to shareholders the distorting potential of foreign exchange rates on both their management reporting results and their financial statements prepared under relevant accounting standards.

Companies that are exposed to foreign exchange risk currently do not apply hedge accounting under the accounting requirements are exposed to foreign exchange volatility in their profit and loss accounts. This can make achieving KPI's and interpreting results challenging for the business.



Q: What are your most important and impactful economic risks?  
Source: PwC Global Treasury Survey, June, 2023, Base of 282

We provide our clients with analysis and suggestions on determining the appropriate risk management strategy, including identifying the risks to be managed, potential hedging instruments to manage properly the risks identified and defining the hedge ratio based on their risk management strategy defined by the management. Additionally, we support the clients in the full **implementation of hedge accounting** (both under IFRS and Hungarian accounting rules) which mirrors the economic hedges in the financial reports to make sure that the economic hedges are properly reflected in the financial statements.

## Our services may consist of providing assistance to:

- Identifying risks to be managed and providing best practices to mitigate those risks
- Determining the appropriate risk management strategy based on the risks identified
- Review (or drafting if needed) the Risk management strategy and risk management objective of the client and related policies
- Preparation of hedge documentation (including calculation of ineffectiveness)
- Preparation of the derivative and hedge accounting related sections of the accounting policy
- Providing illustrative example for the hedge accounting related disclosure requirements
- Supporting clients applying hedge accounting in practice



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