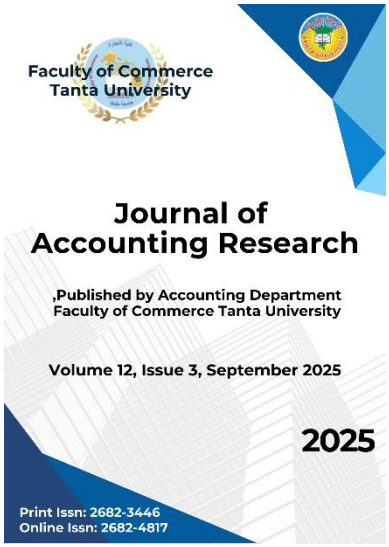

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Analysis of the impact of geopolitical risks on Foreign Exchange Rate Fluctuations from an accounting perspective: a field study

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Abstract

Purpose: This research seeks to perform a detailed accounting analysis of how geopolitical risks influence foreign exchange rates.

Approach: This study uses a positive approach to create a conceptual framework for understanding and assessing geopolitical risks from an accounting perspective. This framework explores the sources of geopolitical risks, methods for evaluating them, and the main factors affecting geopolitical risk analysis. Furthermore, the research compares two standards: Egyptian Standard No. (13) and International Standard No. (21), both of which address fluctuations in foreign exchange rates and predict how geopolitical risks may influence these variations**.**

Hypothesis Testing: Hypotheses are sophisticated through a comprehensive review of previous accounting literature and are tested with regression analysis to assess what the impact of geopolitical risks on fluctuations in foreign exchange rates.

Findings: These findings indicate a significant impact of geopolitical risks on foreign exchange rates. This research is an extension to previous studies and enriches existing knowledge in this domain.

Key words: Geopolitical risk ؛ foreign exchange rate

1. Introduction

Geopolitical shocks—such as armed conflicts, acts of terrorism, military interventions, and diplomatic disputes—represent significant concerns for businesses, financial market participants, the media, and policymakers. Exchange rates play a crucial role in economic activities, including services, investments, and trade. As a result, the exchange rate holds a central position in a nation's monetary policy, serving both as a vital tool and as an indicator for assessing the economy's competitiveness. In the context of the Egyptian economy, where there is no dominant national currency, foreign exchange rates experience constant fluctuations, marked by frequent increases and decreases. Such volatility requires an analysis of the geopolitical risks linked to changes in foreign exchange rates.

Geopolitical events exert significant influence on exchange rates by shaping international trade dynamics, investor behavior, and broader economic outlooks (Hossain *et al.,* 2024). For instance, trade disruptions resulting from sanctions or military interventions can hinder the flow of imports and exports, thereby affecting the demand and supply of a given currency and ultimately influencing its valuation (Kisswani & Elian, 2021). Furthermore, political instability and conflict frequently trigger capital outflows, as investors reallocate resources toward safer assets, leading to currency appreciation or depreciation in the affected

regions (Ftiti *et al*., 2024; Yilmazkuday, 2024). Geopolitical developments may also reshape a country's economic trajectory, alter levels of foreign direct investment, and induce considerable volatility in exchange rate movements (Aiyar *et al.,* 2024).

While central banks may contribute meaningfully to mitigating currency market volatility through targeted interventions, fluctuations in commodity prices—often driven by geopolitical tensions—can exert profound influences on exchange rates, particularly in economies heavily reliant on the import or export of such commodities (Asadollah *et al.,* 2024). In general, countries' currencies can depreciate or rise in the wake of geopolitical risks.

At the corporate level, variation in foreign exchange rates impacts the company's business results and competitive position. Exposure to these fluctuations has become a source of uncertainty and risk for companies worldwide, affecting current and future cash flows, external or foreign sales, and the importance of assets and liabilities denominated in foreign currencies (Li *et al*., 2011).

At the local level, Egypt has experienced several crises since 2011 that have significantly impacted the economic and financial situation, with declining foreign exchange reserves, a shortage of foreign currency liquidity in the Egyptian market, and increased transactions in the informal parallel foreign exchange markets. On November 3, 2016, the Egyptian government decided to liberalize foreign currency rates, leaving the conversion rate to the forces of supply and demand (Mahmoud, 2023). Based on this background, this research examines the impact of geopolitical risks on currency exchange rates.

2. Research Problem

Exchange rate volatility presents significant challenges for firms and investors, particularly in regions affected by conflict. Geopolitical risk (GPR), arising from political tensions and events, has become a critical factor influencing corporate strategy and investment behavior. Elevated GPR increases macroeconomic uncertainty, often leading firms to delay investment decisions in line with real options theory.

The dollar, as the global reserve currency, serves as a benchmark against which local currencies are often devalued during geopolitical crises. The Russia–Ukraine conflict, for example, has intensified currency depreciation in economies with strong trade or financial ties to Russia (Hossain *et al.*, 2024).

As global economic integration deepens, companies are increasingly exposed to foreign exchange risk, which affects profitability, competitiveness, and market valuation. Exchange rate instability disrupts stock returns and interest rates, making currency stabilization a key objective of monetary policy. Predictable exchange rate movements are essential for attracting investment and maintaining financial stability.

Geopolitical events influence exchange rates through trade disruptions, shifts in investor sentiment, and changes in economic outlook. Sanctions, military conflict, and political instability can trigger capital flight and alter foreign direct investment flows, leading to currency appreciation or depreciation (Kisswani & Elian, 2021; Yilmazkuday, 2024; Aiyar *et al.,* 2024). Commodity price shocks further exacerbate exchange rate fluctuations, particularly in resource-dependent economies (Asadollah *et al*., 2024).

This study examines the influence of geopolitical risks on exchange rate fluctuations in publicly listed Egyptian companies, within the framework of IAS 21 and EAS 13, including the amendments introduced by Ministerial Resolution No. 1568 of 2022. Despite the relevance of this topic, systematic analysis of geopolitical risk from an accounting perspective remains limited at both national and regional levels. The core research question can be formulated as follows

What is the role of geopolitical risk on exchange rate volatility?

The researcher can divide the main question into many questions as follows:

What is the understanding and evaluation of geopolitical risks and effects on Foreign Exchange Rate Fluctuations?

What are the sources of geopolitical risks and their effects on Foreign Exchange Rate Fluctuations?

What is the assessment, and the main factors affecting geopolitical risk analysis and its effects on Foreign Exchange Rate Fluctuations?

3. Literature review

Organizations are presently navigating unprecedented circumstances and are confronted daily with complex decisions related to management through wars, terrorist acts, military attacks, or diplomatic and Nuclear Threats. In the current context, multiple factors warrant careful consideration, assessing the consequences of geopolitical risk on businesses and how the Company offers an approach to managing geopolitical risks to mitigate its impact on exchange rate fluctuation. Several studies have discussed geopolitical risks. Among the most important relationships that geopolitical risks can play are the following:

Lu et al. (2020) review the contribution of geopolitical risk on financial growth using a panel dataset comprising 18 emerging markets from 1985 to 2018, focusing on the private sector. Their findings indicate that an increase in geopolitical risk is associated with a reduction in domestic credit extended to the private sector. These results substantiate the negative effect of geopolitical risks on domestic credit provision within the private sector.

Moreover, Pringpong *et al.* (2023) investigate the effect of geopolitical risk (GPR) on firm valuation, utilizing a sample of non-monetary enterprises from 14 emerging market economies. Their findings indicate that elevated levels of GPR are significantly associated with a decline in firm value. This adverse effect is primarily driven by country-specific idiosyncratic GPR, which reflects localized geopolitical disturbances, while global systematic GPR appears to be statistically insignificant under normal conditions. However, during periods of heightened geopolitical tension, the influence of systematic GPR becomes pronounced. Moreover, the role of idiosyncratic GPR gains prominence following the September 11 terrorist attacks and in contexts characterized by elevated geopolitical uncertainty.

Fiorillo *et al*. (2024) examine the influence of geopolitical risk on stock price crash risk and the moderating role of ESG factors. Analyzing a broad international sample of publicly listed firms, they find that elevated GPR significantly increases crash Probability, particularly due to anticipated geopolitical tensions rather than realized events. Notably, firms with high ESG ratings, especially in environmental and social considerations, experience mitigated adverse effects.

Zhang *et al.* (2024) explore the global impact of geopolitical risk (GPR) on stock market volatility using dynamic panel data from 32 countries and the bias-corrected LSDV estimator. Their exploration reveals a significant positive association between GPR and volatility, robust to various controls. The effect is particularly pronounced in emerging markets, crude oil-exporting nations, and politically stable countries.

Nazim (2025) seeks to identify the concept of geopolitical hazard and the state of cooperation between risk management and internal audit to overcome geopolitical uncertainty, and draw the attention of internal auditors to the ways that internal audit can provide assessment, confirmation, and advice concerning geopolitical risks, including response initiatives and regulatory penalties. The research reached The need of the internal auditor to carry out a comprehensive and independent assessment of geopolitical risks in cooperation and consultation with the Risk Management To determine key risk factors and integrate them into the audit plan, and to amend the plan based on the results of the continuous assessment and emerging risks, and to ensure that the management and the audit committee are fully aware of these risks and their effects and that they take the appropriate measures to deal with it and address it on time.

Based on the above discussion, many previous studies examined geopolitical risks, and the state of cooperation between risk management and internal audit, such as Nazim, (2025), financial development and corporate investment, such as Lu *et al.,* (2020), stock market volatility, firm idiosyncratic volatility, financial stress, stock price crash risk. However, no studies explored the correlation between geopolitical risk and exchange rate fluctuation variables. this study fills this gap.

According to Exchange Rate fluctuation, Several studies have discussed Exchange Rate fluctuation. Among the most important relationships that Exchange Rate fluctuation can play are the following:

Osho & Fagbamila (2022) investigated the importance of exchange rate fluctuations and macroeconomic variables on the financial performance of multinational corporations operating in Nigeria. The study specifically assessed the effects of the nominal exchange rate, real exchange rate, interest rate, and exchange rate volatility on the financial performance of publicly listed multinational oil and gas firms, as well as deposit money banks. The results indicated that the nominal exchange rate and interest rate spread were positively and significantly associated with return on assets (ROA). In contrast, foreign exchange rate fluctuations, real exchange rate, firm size, and financial leverage exhibited a negative and statistically significant relationship with ROA. The study concluded that exchange rate volatility and key economic indicators are closely linked to the financial performance of listed oil and gas companies in Nigeria.

Mahmoud (2023) investigates the determinants of foreign exchange rate risk exposure and its effect on firms' cost of capital within Egypt's emerging capital market from 2017 to 2022, following the currency floatation policy. Utilizing data from Egyptian Stock Exchange-listed firms, the study identifies company size, foreign currency transactions, and hedging practices as significant factors influencing exchange rate risk exposure, while liquidity and leverage ratios exhibit no notable impact. Moreover, exchange rate risk is found to have an important effect on the cost of capital.

Koroma &. (2023) present the role of exchange rate fluctuations on Sierra Leone's economic growth. The study covers a thirty-nine-year period from 1980 to 2018. Previous research shows that exchange rate fluctuations can have both positive and negative impacts on a nation's economy, and the findings indicate that exchange rate fluctuations (specifically, depreciation of the Leones) have a significantly positive relationship with Sierra Leone's economic growth.

Audi (2024) examines the role of exchange rate volatility on Lebanon's economic growth using annual data from 1980 to 2023. Results show a significant positive long-term contribution of exchange rate volatility on growth, while the short-term negative effect is insignificant. Rising prices and exchange rates are also found to have a statistically insignificant impact on long-run growth, with inflation displaying a weak negative relationship.

Ozigbo *et al*. (2025) examine the influence of exchange rate fluctuations on Nigeria's economic growth, identifying A marked negative linkage between exchange rate and interest rate dynamics and growth outcomes, while inflation and external reserves exhibit significant positive associations. The authors advocate for long-term structural policies aimed at enhancing domestic production to improve foreign exchange earnings and stabilize the national currency.

Based on the above discussion, many previous studies examined conversion rate fluctuations and economic factors on financial performance Osho and Fagbamila, 2022)**,** economic growth**,** such as Ozigbo *et al*. (2025)**,** companies' cost of capital from an accounting perspective, and The trade companies operating between China and Japan**.** Second, there has been insufficient Analysis of two standards: Egyptian Standard No. (13) and International Standard No. (21), both of which relate to differences in foreign exchange rates and predict the reflection of geopolitical risks on these changes**.**

Several studies have discussed the roles of geopolitical risks in exchange rates. Among the most important roles that geopolitical risks can play are the following

Hossain *et al*. (2024) investigate the impact of geopolitical risk on foreign exchange markets, leveraging the Russia–Ukraine conflict as a natural experiment. Their findings reveal that heightened geopolitical tensions adversely affect exchange rates, especially in countries highly dependent on Russian energy, facing elevated economic policy uncertainty, geographically close to the conflict zone, or exhibiting strong political freedoms. Further analysis indicates that the invasion also negatively influenced global equity market returns and volatility.

El Helou (2024) analyzes the interplay between geopolitical factors, foreign exchange dynamics, and trade balances in Switzerland, highlighting the Swiss franc's role as a safe-haven currency. The study finds a positive correlation between the franc's strength and periods of geopolitical instability. Controlling for effective exchange rates and real interest rates, the research shows Switzerland's sustained economic growth and balanced payments despite global uncertainties. These findings offer key insights for policymakers and businesses navigating financial markets in an interconnected global landscape.

Jawadi *et al.* (2024) analyze the outcome of geopolitical risks on key sectors of the Euro area economy over the period from September 2003 to March 2024. Employing the ARDL model and bounds testing, the study assesses the short- and long-term sectoral responses—including those in financial markets, exchange rates, inflation, energy prices, and economic

growth—to global and regional geopolitical shocks. The findings indicate that such risks tend to mitigate economic growth, depreciate the euro, and heighten inflation and energy costs, particularly Brent oil and gas. While the European stock market demonstrates relative resilience, geopolitical instability contributes significantly to broader economic and political uncertainty.

Hung (2024) explores the dynamic relationship between geopolitical risk (GPR) and major exchange rate markets during crises. The study reveals an asymmetric effect of geopolitical risk on exchange rates, identified through a novel time-varying Granger causality method. The sample covers significant events such as COVID-19 and the ongoing Russia-Ukraine conflict. Results show bidirectional causality, with geopolitical risks notably affecting exchange rate markets during COVID-19 and the early stages of the Russia–Ukraine war. However, this influence weakened as the conflict progressed, indicating that GPR and exchange rate markets were less connected during the ongoing war.

Yilmazkuday (2025) explores the significance of geopolitical risk shocks on exchange rates across 35 countries using a structural VAR model that controls for macroeconomic variables. The findings reveal depreciation effects in China, Israel, the Philippines, and the U.S., while appreciation is observed in South Africa, Brazil, Australia, Iceland, and others. Exchange rate responses are more pronounced in countries deeply embedded in global value chains, particularly in the short run, with effects largely driven by geopolitical factors. These results yield key policy implications for globally integrated economies.

3.1 Research Gap

Based on the above discussion, the researcher argues that analyzing geopolitical risk could help companies understand geopolitical risk and evaluate geopolitical risks, and manage geopolitical risks. Sources of Geopolitical Risk that lead companies to mitigate exchange rate fluctuation. Furthermore, the researcher's review of previous studies has indicated a lack of investigation into, firstly, understanding geopolitical risk and evaluating geopolitical risks, managing geopolitical risks, and Key factors in geopolitical risk analysis. Although, Yilmazkuday, (2025) study is the only study that investigated geopolitical risks on exchange rate changes, the influence of geopolitical risks on exchange rates there has been insufficient Analysis understanding geopolitical risk and evaluating geopolitical risks, managing geopolitical risks Sources of Political risk of the effect of geopolitical risks on Foreign Exchange Rate Fluctuations from an accounting perspective particularly in Egypt. Furthermore, the research analyzes two standards: Egyptian Standard No. (13) and International Standard No. (21), both of which relate to changes in foreign. Therefore, in this study, the researcher seeks to close a gap by studying the impact of geopolitical risks on Foreign Exchange Rate Fluctuations.

4. Research Importance

Existing literature offers limited analysis of the influence of geopolitical risks on foreign exchange rate fluctuations within the Egyptian market. This study addresses that gap by present the relationship between geopolitical developments and the depreciation of the Egyptian currency.

The research provides valuable insights for policymakers, corporations, and current and prospective investors by evaluating how geopolitical risks influence exchange rate movements. It supports informed decision-making in financial planning and investment strategies.

The study contributes to the understanding and assessment of geopolitical risks from an accounting perspective, with particular emphasis on Standard No. 13 and Standard No. 21, both of which govern the treatment of foreign currency transactions

5. Research Objectives

In terms of the research problem presented, the aim of the research adopts a positive approach to construct a conceptual framework for understanding and evaluating geopolitical risks from an accounting perspective. This framework explores the sources of geopolitical risks, methodologies for their assessment, and the main factors affecting geopolitical risk analysis. Furthermore, the research analyzes two standards: Egyptian Standard No. (13) and International Standard No. (21), both of which relate to differences in foreign exchange rates and predict the reflection of geopolitical risks on these changes.

6. Research Hypothesis

Statistically significant effect analysis of geopolitical risks on Foreign Exchange Rate Fluctuations.

The researcher formulated this hypothesis as follows:

H1: Statistically significant effect analysis of the understanding and evaluation of geopolitical risks and effects on Foreign Exchange Rate Fluctuations

H2 Statistically significant effect interpretation of the sources of geopolitical risks and effects on Foreign Exchange Rate Fluctuations from an accounting perspective

H3 Statistically significant effect analysis of the assessment, and the main factors affecting geopolitical risk analysis and effects on Foreign Exchange Rate Fluctuations.

7. Research Methodology

The study employs both

- positive approach to construct a conceptual framework for understanding and evaluating geopolitical risks from an accounting perspective
- Empirical study: Conducting a field study to test the research hypotheses.

8. The research plan

To achieve this goal, the research aims to divide the research into three parts: Section 1: conceptual framework for understanding and evaluating geopolitical risks from an accounting perspective

Section 2: Comparison between two standards: Egyptian standard No 13 and International standard No. 21.

Section 3: analyzing and evaluating previous accounting studies

Section 4: Field Study.

1. Conceptual Framework for Understanding and Evaluating Geopolitical Risks from an Accounting Perspective

Geopolitical risk encompasses the uncertainties arising from international relations, including trade, security alliances, climate initiatives, and territorial disputes. It involves political, economic, military, and social disruptions stemming from cross-border engagements. Such risks—manifested through conflict, terrorism, and diplomatic tensions—pose significant challenges to corporate stability and strategic planning.

1.1 Understanding Geopolitical Risks

Geopolitical risks encompass the multifaceted influence of political, economic, social, and cultural dynamics on global stability and international relations. These risks, which include territorial disputes, trade frictions, ideological divergences, and armed conflicts, may arise from both state and non-state actors, rendering them inherently complex and unpredictable. The China–Taiwan tensions exemplify such risks, shaped by regional power imbalances, historical legacies, and contrasting political systems (Asadollah *et al*., 2024).

(Donilon *et al*., 2024) defined geopolitical risks as cyber-attacks, terrorist attacks, Geostrategic rivalry between the United States and China, the Russia-NATO conflict, Gulf tensions, political crises in emerging markets, the North Korean conflict, climate change, and European division. According to the researcher's view, these risks can be grouped into three main categories: terrorist attacks, political changes, and cyber risks.

Young and Wang (2020) demonstrate that a one-standard-deviation rise in the monthly incidence of terrorist attacks corresponds to a $975 million reduction in equity fund inflows and an $8.156 billion increase in government bond fund allocations.

The researcher concluded that geopolitical risks are potential threats that can arise from political, social, economic, and military events that impact international stability and security. These risks include, but are not limited to, wars, interstate conflicts, terrorism, political unrest, and shifts in the global balance of power.

1.2 Sources of Geopolitical Risk

Geopolitical risks stem from various interconnected sources with different strategic impacts:

1. Territorial Disputes: Conflicts over boundaries and sovereignty, such as those in the South China Sea, heighten inter-state tensions.
2. Trade conflicts and sanctions: Protectionism, trade wars, and sanctions—exemplified by U.S.–China economic hostilities—disrupt global supply chains and economic stability**.**
3. Ideological Confrontations: Divergent political systems, as seen in the Cold War era, generate sustained geopolitical friction.
4. Resource Competition: Scarcity of critical assets like oil, water, and minerals spurs strategic rivalry, notably in the contested Arctic region.
5. Nuclear Threats: The presence and spread of nuclear arsenals present major risks to worldwide security and require careful monitoring.

1.3 Evaluating geopolitical risks

Risk managers and others are beginning to assess Several proposals and approaches that have been suggested over time to assist companies in addressing geopolitical threats efficiently: (CHAMBERS2022):

- Incorporate geopolitical risk management into a structured and systematic framework that is embedded within the organization's broader operational and strategic processes.
- Apply company risk management (ERM) principles to geopolitical risk management.
- Adopt a portfolio-based approach to risk management to enhance understanding of the implications and interdependencies between geopolitical risks and other categories of risk. While geopolitical risks are typically regarded as external factors, they can exert substantial influence on internal risk dynamics.
- Collect and analyze geopolitical insights of long-term strategic challenges and opportunities
- Conduct a baseline assessment of geopolitical risks affecting business operations.
- Ensure that regularly updated and accurate assessments of geopolitical risks are systematically integrated into business development and operational decision-making processes throughout the organization.
- Continuously monitor geopolitical and other critical risk factors, utilizing this information to inform investment decisions and to enhance the understanding of evolving geopolitical risk scenarios.
- Comprehend the potential implications of geopolitical risks on business operations.

1.4 Geopolitical risk assessment involves evaluating the probability and impact of specific events. A variety of methods are commonly used:

1. Scenario Analysis: Developing plausible scenarios facilitates the identification of potential risks and their corresponding outcomes. The evaluation of scenarios concerning cyberwarfare or regional instability enables stakeholders to prepare more effectively.
2. Country Risk Ratings: Institutions and investors rely on evaluations provided by rating agencies such as Moody's and Fitch. These ratings incorporate assessments of political stability, economic performance, and various other determinants.
3. Network Analysis: Comprehending the interconnections among states, organizations, and individuals is crucial for assessing the extent to which geopolitical events propagate through global networks. The application of social network analysis and network theory is fundamental in this context.
4. Expert Opinions and the Delphi Method: Engaging professionals from diverse disciplines provides valuable insights. The Delphi method, characterized by iterative surveys and consensus-building processes, facilitates the systematic collection of expert judgments.

1.4 The global consulting firm McKinsey & Company offers a "five-pronged approach to managing geopolitical risks"

According to Chambers (2022), McKinsey & Company outlines a five-dimensional framework for managing geopolitical risks.

First, corporate boards are advised to regularly review relevant risk analyses and strategic responses.

Second, organizations should employ a trifocal approach to risk assessment, incorporating short-term crisis management units, midterm executive briefings, and long-term scenario planning exercises.

Third, firms must critically evaluate their corporate narratives to anticipate and resolve stakeholder conflicts.

Fourth, updated risk management frameworks should be tailored to high-risk markets, integrating strategy with localized assessments.

Finally, McKinsey emphasizes the importance of aligning stakeholder values amid rising global fragmentation, recognizing that divergent cultural and ethical perspectives may complicate strategic decisions. (see Fig. 1).

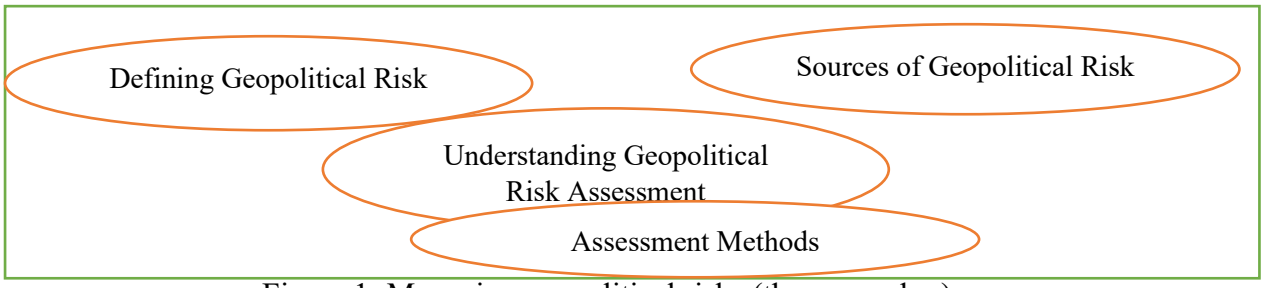

Figure 1: Managing geopolitical risks (the researcher)

1.6 Key Factors in Geopolitical Risk Analysis

Effective geopolitical risk assessment demands a multidimensional approach that includes historical background, strategic alliances, resource influences, leadership changes, and emerging threats. Critical factors include:

- Historical legacies and territorial disputes: Past conflicts and power struggles—such as the 2014 annexation of Crimea—highlight sources of contemporary instability.
- Strategic Alliances and Rivalries: Organizations must consider the impact of regional partnerships (e.g., NATO, ASEAN, SCO) and bilateral tensions (e.g., India–China, Saudi Arabia–Iran) on diplomatic, military, and economic outcomes.
- Economic interdependence and trade vulnerabilities: Global commerce, exemplified by disruptions like the Suez Canal blockade, remains susceptible to geopolitical shocks.
- Resource competition and environmental stress: Disputes over vital resources (e.g., Nile Basin water rights) are aggravated by environmental degradation and migration pressures.
- Political leadership and ideological trends: Changes in governance and the rise of populist movements can challenge established norms and shift geopolitical alignments.
- Military and Nuclear Capabilities: Escalation risks involving nuclear states, like the India–Pakistan standoff, call for increased scrutiny.
- Cybersecurity and Information Warfare: Digital threats, such as espionage and disinformation campaigns, present complex challenges to national and corporate security.
- Human Rights and Social Unrest: Movements like the Arab Spring and protests in Myanmar show how civil mobilization influences governance and stability.

- Multilateral institutions and diplomacy: Forums like the UN, G7, and G20 promote conflict resolution through sanctions, negotiations, and peacebuilding efforts (e.g., JCPOA).
- Contingency Planning and Scenario Development: Strategic foresight, including supply chain diversification and evacuation protocols, enhances resilience in volatile regions.

Based on the above, geopolitical risk analysis requires integrating various strategic, political, economic, and security factors. By combining these elements, decision-makers can create informed and adaptable strategies to handle global complexity.

1.7 Risk Assessment Frameworks

Organizations use different frameworks to assess geopolitical risks, customizing their strategies for specific challenges and situations. One commonly used approach is

1.7.1 PESTEL Analysis

This analysis examines the political, economic, social, technological, environmental, and legal factors. For example, a European automotive manufacturer planning to broaden into an emerging market would need to evaluate key aspects such as the region's political stability, expected economic growth, social trends, technological infrastructure, environmental issues, and relevant regulatory laws.

1.7.2 Scenario planning

Developing multiple scenarios grounded in geopolitical events such as trade wars, regime changes, and Natural catastrophes. For example, an oil company anticipates supply disruptions resulting from regional conflicts by diversifying its sourcing locations.

1.7.3 Risk Ratings

Agencies such as Euler Hermes and Moody's assign risk ratings to individual countries. For instance, a multinational retail corporation utilizes these ratings to assess the viability of investing in politically unstable regions**.**

1.8 Geopolitical Risk Management Strategies

Organizations must employ diverse and adaptive strategies to mitigate geopolitical risks. Key approaches include

- Supply Chain Diversification: Cutting reliance on one supplier or region lowers the risk of disruptions.
- Scenario Planning and Contingency Preparedness: Anticipating potential crises helps ensure operational flexibility and resilience.
- Stakeholder Collaboration: Collaborating with local organizations improves understanding, ensures compliance, and builds goodwill.
- Political Risk Insurance and Financial Hedging: Targeted tools safeguard assets from expropriation, currency restrictions, and instability.
- Crisis Management and Communication Protocols: Transparent stakeholder engagement sustains trust during volatile events.
- Long-term diplomatic investment: Institutional engagement promotes mutual understanding and stability in host countries.
- Monitoring and Early Warning Systems: Real-time intelligence supports proactive decision-making.
- Management Plans for Continuity: Viability assessments ensure readiness amid geopolitical uncertainty and adhere to disclosure standards.

- Subsequent Event Analysis: Post-reporting developments must be evaluated and disclosed to maintain financial statement integrity.
- Internal Control Adaptation: Ongoing assessment and modification of financial controls manage emerging risks and fulfill regulatory requirements.

1.2 Study and Analysis of Egyptian Accounting Standard No. 13 and IAS No. 21

International Accounting Standard (IAS) 21 outlines the principles for accounting for foreign currency transactions and operations. It provides guidance on translating information into the reporting currency, mainly focusing on choosing appropriate exchange rates and presenting exchange rate differences in financial reports.

Egyptian Accounting Standard (EAS) 13 requires that foreign currency transactions be recorded using Forex rate effective on the transaction date. Monetary balances in foreign currencies are retranslated at the rate of exchange on the financial statement date. The initial measurement of assets and associated liabilities denominated in foreign currencies is determined using the Currency exchange rate prevailing on the transaction date.

In response to exceptional economic circumstances, the Prime Minister issued Decision No. 1568 (2022), which added Appendix B to EAS 13. This amendment introduces a temporary accounting treatment for exchange rate fluctuations. Specifically, it allows entities with foreign currency obligations related to fixed assets, investment characteristics, intangible assets (excluding goodwill), and exploration and evaluation assets—incurred between January 2020 and the date of the exchange rate adjustment—to capitalize resulting exchange differences as part of the asset cost.

Foreign Exchange Rate Risk Exposure

Fluctuations in exchange rates present a major economic challenge, impacting the accuracy and relevance of financial data. Such volatility heightens uncertainty about corporate sustainability and significantly influences stakeholder decision-making as well as capital market behaviors (Bandara, 2020). Therefore, precise evaluation and management of exchange rate effects are essential for corporate leaders, investors, and policymakers. Effective forecasting and strategic responses to these financial changes are necessary for reducing risks and maximizing opportunities across local, regional, and global economies.

1.3 The concept and forms of exchange rate changes and the most important factors affecting them.

Zamanian *et al.* (2017) indicated that the Conversion rate reflects the value of a foreign currency (such as the dollar) against the local currency (the Egyptian pound). It is determined by two systems in any country. The first system involves stable exchange rates, where the central bank or government pegs the local currency to another currency or the gold price. This is done to maintain exchange rate stability and prevent fluctuations and related risks. The second system pertains to exchange rate liberalization, where the rate is established by supply and demand forces for foreign currencies without government intervention. In this system, the currency's value is set by the exchange markets, causing fluctuations and risks, especially in weak economies. Changes in foreign exchange rates represent a market risk for companies operating internationally, as well as those with a local focus.

Bae *et al.* (2018) define exposure to Currency risk as the risk resulting from an undesirable change in the financial worth of a currency, which leads to an unexpected decrease in profits, flows, and company value. Adam and Rumbia (2021) also define it as the risk arising

from an unexpected change in foreign exchange rates. Bahjat et al. (2022) describe it as the relative value of one currency compared to another, which can increase or decrease, often leading to significant risk. Changes in the foreign exchange market significantly impact a company's performance, making it an essential aspect of international business transactions in both developed and developing countries.

1.4.1 Definition of Exchange Rate Fluctuation

Exchange rate fluctuations denote variations in the contribution of a currency relative to others over a defined period. These fluctuations can be attributed to both internal and external factors. External determinants include shifts in the global economic environment, volatility in international financial markets, modifications in monetary policies, and changes in international trade dynamics (Han *et al.,* 2019). Internal influences encompass alterations in domestic economic conditions, imbalances between money supply and demand, and revisions to national economic policies. The interplay of these internal and external factors collectively contributes to fluctuations in exchange rates.

1.4.2 Causes of Exchange Rate Changes

a. Rising balance of payments deficit: This raises the risk of the exchange rate of foreign currencies.
b. Increasing budget deficit: This contributes to a decline in the exchange rate of the domestic currency.
c. Declining GDP due to a cessation of investment: This leads to a decline in the importance of the domestic currency and an increase in the exchange rate.
d. Monetary inflation: This drives to a decline in the exchange rate against other currencies.
e. Tax policy: This may take money from the public or withdraw it, affecting the exchange rate.
f. Changes in interest rates: Higher interest rates abroad growth the demand for foreign currencies, affecting the exchange rate.
g. Government intervention: This happens when a country's central bank tries to adjust the exchange rate.
h. Geopolitical risks: Geopolitical risks have substantial macroeconomic effects, often leading to currency fluctuations, inflationary pressures, and changes in interest rates.

At the Egyptian level, during the first three decades of the third millennium, the Central Bank of Egypt made several decisions about liberalizing foreign exchange rates in the Egyptian market, in November 2016, March 2022, October 2022, January 2023, and March 2024. These decisions aimed to Maintain equilibrium the Egyptian exchange market and control the role of the parallel market in accelerating the decline of the Egyptian pound against the dollar. They were part of a package of measures in the economic reform program, designed to provide needed funding to fill the dollar resources gap, address price increases and commodity shortages, reduce the volume of imports and patterns of recreational consumption, and combat waves of inflation.

1.4 Approaches to Measuring Economic Exposure to Foreign Exchange Rates

Economic exposure is a long-term risk and impacts the firm's long-term cash flows. One of the challenges in managing the economic exposure is measuring it. There are many studies discussing the various methods used to measure the economy. The financial market model appears to be an extensively used method to measure. While a few studies are using the

cash flows to quantify the exposure. Which are as follows (Tomanova, 2014; Prasad &Suprabha, 2015)

1.4.1 Capital Market Approach

The capital market approach employs a two-factor regression model to estimate a firm's sensitivity to economic exposure. Which are as follows:

$$R_{it} = \beta_1 e_{it} + \beta_2 R_{mt} + v_{it}$$

Where

- R_{it} denotes the return on firm *i*'s stock at time *t*,
- R_{mt} represents the return on the overall market
- e_{it} captures the exchange rate risk factor,
- β1 and β2 are the coefficients measuring the firm's exposure to exchange rate risk and market risk, respectively, and
- $v_{it}$is the error term

1.4.2 Cash Flow Approach

The cash flow approach offers an alternative method for estimating exchange rate exposure, relying on firm-level financial data rather than stock and market returns. As outlined by Bodnar and Marston (2014), this method models exposure elasticity as a function of a firm's revenue and cost structure, which are as follows: (Bodnar and Marston, 2014) and appear as follows:

$$б=(h_1 + (h_1 - h_2)(\ 1Ir) - 1$$

Where

- σ represents exposure elasticity,
- h_1 is the proportion of foreign currency-denominated revenue to total revenue,
- h_2 is the proportion of foreign currency-denominated costs to total costs, and
- r denotes profit as a percentage of total revenue

This model captures the sensitivity of a firm's cash flows to exchange rate changes, based solely on operational and financial ratios.

Based on the above, it can be concluded that there are two main approaches to measuring economic exposure to Variations in exchange rates. The first is the capital approach, which relies on how sensitive companies' stock returns are to Currency fluctuations to assess economic exposure. The second is the cash flow approach, which explains economic exposure through the ratio of revenues and costs in a foreign currency to total revenues and costs, or by examining the sensitivity of cash flows to exchange rate fluctuations. The capital approach is considered the most widely accepted and has been extensively used in previous studies when measuring economic exposure to Variations in currency values.

1.5 Accounting Treatment of Foreign Exchange Rate Changes

Standard (IAS) 21, The Effects of Changes in Foreign Exchange Rates, governs how companies account for foreign currency transactions. According to this standard, such transactions are initially recorded using the spot exchange rate on the transaction date. At the reporting date, monetary items are retranslated using the closing rate, while non-monetary items are translated based on either original cost or fair value, depending on their measurement basis. Foreign currency translation adjustments from monetary items are recognized in profit

or loss, whereas those related to non-cash items measured at Current value are recorded in other comprehensive income (IASB, 2012).

Egyptian Accounting Standard (EAS) 13, amended in 2015, aligns with IAS 21. However, the Central Bank of Egypt's decision to liberalize exchange rates on November 3, 2016, caused significant fluctuations in the rise of foreign currency-denominated assets and liabilities. Due to the extraordinary nature of this event, the Egyptian Accounting Standards Committee added Appendix A to EAS 13 (Ministerial Decision No. 16 of 2017), permitting an optional accounting treatment to address the currency differences in the 2016 financial statements.

Subsequent exchange rate fluctuations in March 2022 led to further intervention. Prime Ministerial Decree No. 1568 of 2022 added Appendix B to EAS 13, allowing companies to capitalize exchange rate losses on foreign currency liabilities related to fixed assets, investment characteristics, intangible assets (excluding goodwill), and exploration assets acquired between January 2020 and the date of the exchange rate adjustment. It also permits the recognition of currency translation differences in other comprehensive income, with optional application.

Following a further exchange rate change on October 27, 2022, Appendix C was added through Prime Ministerial Decree No. 4706 of 2022. This appendix extends the optional treatment to financial periods starting on or after October 27, 2022. An additional extension was granted on May 17, 2023, allowing companies to apply these treatments until December 31, 2023.

The core purpose of these amendments is to reduce the negative effects of exchange rate fluctuations on companies' financial results. By recognizing exchange rate losses related to foreign currency assets they previously financed, firms can lessen the immediate impact on their income statements and maintain financial stability.

1.6 Implications of Geopolitical Risks for Accounting Standards 13 and 21

Exchange rate volatility is influenced by various factors, such as government intervention in economic activities, monetary policy, fiscal decisions, and investor sentiment. Governments can impact exchange rates through foreign exchange controls, trade restrictions, and direct market interventions using tools like the rediscount rate and reserve requirements (Morina et al., 2020).

Geopolitical crises often cause central banks to adjust monetary policy and boost fiscal spending, which in turn affects inflation and public debt. For instance, after Russia invaded Ukraine, global policymakers emphasized increased risks to inflation and economic growth (Powell, 2022; Sunak, 2022). Budgetary policies also contribute, as contractionary fiscal measures can strengthen the local currency by reducing inflation (Muto & Saiki, 2024).

Financial market dynamics, especially investor confidence, play a vital role in exchange rate movements. Economic downturns tend to push capital into stable currencies like the U.S. dollar or euro, while positive economic indicators can boost the value of local currencies (He *et al*., 2021). Interest rate differentials also affect currency demand, with greater domestic rates attracting foreign investment and strengthening the local currency (Shahata, 2024). Inflation disparities lower currency value by shifting demand toward foreign goods and reducing export competitiveness (Mohamed & Zarei, 2022).

Corporate exposure to international transactions increases exchange rate risk, especially without effective hedging strategies (Kim, 2024). Political instability can undermine investor confidence, leading to capital flight and currency depreciation (Alkhouri, 2024).

Geopolitical risks are especially impactful for economies that depend on global trade and investment. These risks can cause capital outflows and trade disruptions, which weaken exchange rates (Bednarski et al., 2024). Policymakers should implement proactive measures—such as diplomatic efforts, economic diversification, and financial safeguards—to reduce these effects. Customized interventions are crucial, particularly for countries deeply involved in global value chains (Yilmazkuday, 2025).

1.7 Study and analyze two standards: Egyptian Standard No. (13) and International Standard No. (21), both of which relate to changes in foreign exchange rates and predict the reflection of geopolitical risks on these changes

Geopolitical risk (GPR) has emerged as an increasingly critical factor in risk analysis since 24 February 2022 (Salisu *et al*., 2022). Broadly defined as the exposure of one or more countries to political actions in other nations, GPR has gained considerable prominence in recent years and constitutes a significant determinant of fluctuations in financial market prices (Saâdaoui *et al.*, 2022). For instance, Kisswani–Elian (2021) demonstrate that GPR exerts asymmetric effects on exchange rate volatility. Dos Santos *et al*. (2021) investigate the influence of GPR on exchange rate returns in Mexico, Russia, and Brazil, identifying the existence of a risk premium for all three currencies, with GPR adversely impacting trade returns in Brazil. Iyke *et al.* (2022) contend that geopolitical risk serves as a predictor of currency market movements, reporting that GPR forecasts accurately predict 10 out of 17 (59%) exchange rate returns in in-sample tests, and 88% in out-of-sample tests. Salisu et al. (2022) forecast the effects of geopolitical risks on currency volatility within BRICS countries and find that recent GPR data exert a stronger influence on BRICS exchange rates than historical data. Similarly, Kisswani–Elian (2021) provides evidence that global geopolitical risk impacts exchange rate fluctuations.

Furthermore, Caldara *et al.* (2022) demonstrate that the inflationary impacts of elevated commodity prices and currency depreciation counterbalance other potential deflationary effects arising from geopolitical risk (GPR) shocks. The effect of increased geopolitical tensions on inflation is uncertain, due to the mix of supply, demand, and policy factors that can push inflation either up or down. From the supply-side perspective, armed conflicts can lead to the destruction of human and physical capital, disrupt international trade, impair global supply chains, and drive up commodity prices—factors that collectively contribute to inflationary pressures. Conversely, on the demand side, adverse geopolitical events may undermine consumer confidence and investment, while tightening financial conditions, potentially exerting downward pressure on inflation.

Global geopolitical risks surged after Russia invaded Ukraine, highlighting concerns among investors, market participants, and policymakers that adverse geopolitical events can slow down the global economy while increasing inflation.

In conclusion, this study affirms that geopolitical risks contribute to rising global inflation and are transmitted through financial markets. The transmission mechanism of geopolitical shocks to inflation is multifaceted, encompassing adverse supply-side factors—such as disruptions in supply chains, contractions in international trade, and increases in commodity prices—as well as demand-side factors, including weakened consumer confidence and tighter financial conditions. Additionally, policy responses often involve expansionary fiscal and monetary measures aimed at mitigating the economic consequences.

Table 1. Comparison between standard and standard 13

	Standard 21	Standard 13
Record their foreign currency Exchange differences recognition	International Accounting Standard (IAS) 21 mandates that foreign currency transactions be initially recorded in the entity's functional currency using the spot exchange rate at the transaction date. For subsequent measurement, the standard differentiates between cash and non-cash items. • Cash items are retranslated using the Final exchange rate as of the reporting date, with any resulting exchange differences Recorded in profit or loss. • Non-cash items are treated as follows: o Items measured at historical cost are translated using the exchange rate at the transaction date. o Items measured at fair value are translated using the exchange rate at the date the fair value is determined. o Exchange differences related to non-cash items follow the treatment applied to value adjustments. o In cases of impairment, the carrying amount of foreign currency-denominated non-monetary items is determined as the lower of cost (translated at the historical rate)	The amendments introduced by Investment Resolution No. 110 of 2015 aligned Egyptian Accounting Standard (EAS) No. 13 with International Accounting Standard (IAS) 21, particularly in terms of praise, measurement, and disclosure of foreign exchange differences. However, following the Central Bank of Egypt's decision to liberalize exchange rates in November 2016, significant Deviations in the value of foreign currency-denominated monetary assets, liabilities, and fixed assets led to exceptional exchange gains and losses. To address these impacts, Ministerial Resolution No. 16 of 2017 introduced Appendix A to EAS 13, applicable to fiscal years spanning the exchange rate liberalization date of November 3, 2016. The appendix offered companies three optional treatments: • **Option 1**: Capitalization of exchange differences on assets financed by foreign currency liabilities. • **Option 2**: Adjustment of translation differences on foreign currency balances. • **Option 3**: Revaluation of asset carrying amounts and accumulated depreciation to reflect inflationary effects. Similarly, in response to the exchange rate adjustment on October 27, 2022, Prime Ministerial Decree No. 4706 of 2022 added Appendix C to EAS 13. This appendix provides an optional accounting treatment for companies adversely affected by exchange rate movements during fiscal periods beginning before and ending on or after October 27, 2022.

1.8 Research Methodology and Field Study

The research relied on a positive approach by using the deductive method to analyze previous studies related to the research topic and to derive research hypotheses. Additionally, it employed the inductive method to test the validity of these hypotheses in practice within the Egyptian business environment through a field study. This study aimed to provide practical evidence from Egypt on how geopolitical risks influence Foreign Exchange Rate fluctuations. The research also analyzes two standards: Egyptian Standard No. (13) and International Standard No. (21), both of which address changes in foreign exchange rates and predict how geopolitical risks may impact these changes.

1.9 Sample Description and Data Collection

The sample of the study included three categories: academic, brokerage companies, and banks, represented by accountants

and financial managers, as well as academics represented by professors of accounting in the faculties of commerce at Egyptian universities. The data was collected through a questionnaire designed and distributed to 250 individuals. The following tables show the number of valid responses used in the statistical analysis for each category.

Table 2. The Number of Valid Responses for Each Category

Category	Frequency	Percent
Academic	90	36.7
brokerage companies	60	24.4
Banks	99	39.6
Total	250	100.0

Also, the responses underwent reliability analysis by calculating Cronbach's Alpha coefficient to assess the credibility and internal consistency of the study questions and variables. This test indicates the reliability of the sample responses to the questionnaire, the validity of the data for statistical analysis, and the extent to which the results from the sample can be generalized to the study population. As shown in Table No. (2), the Cronbach's Alpha coefficient was 0.934, which is higher than the widely accepted threshold of 0.60, indicating a high degree of consistency and credibility in the data. This suggests that the collected data can be relied upon for the post-statistical examinations and hypothesis testing.

Table3 Reliability Statistics

Cronbach's Alpha	N of Items
.934	18

Table 4 Case Processing Summary

		N	%
Cases	Valid	250	100.0
	Excluded[a]	0	.0
	Total	250	100.0

Table 5: Descriptive Statistics

	Mean	Std. Deviation	N
Geopolitical risks such as terrorist attacks are the main driver of both negative volatility and returns in the markets	4.14	.761	250
Nuclear Threats can lead to tensions. Environmental degradation exacerbates risks, affecting foreign exchange rates	4.07	.801	250
Trade disputes, protectionist policies, Conflicts concerning territorial boundaries and economic sanctions disrupt global supply chains and affect Foreign Exchange Rate	4.03	.866	250
Geopolitical risks cause companies to reduce loan volume and increase interest rates to compensate for the increased risk	3.99	.823	249
Geopolitical risks lead to obtain external credit from financial institutions	4.10	.812	249
wars can destroy human and physical capital, divert international trade, disrupt global supply chains, and trigger surges in commodity prices—effects that could drive up inflation	4.16	.766	249
mv1	4.0813	.63165	250

Based on the above, the average for the first set of questions was more than
3.5 indicating a high acceptance of the effects of geopolitical risks and no correlation problem.

Table 6 Descriptive Statistics

	Mean	Std. Deviation	N
Increased debt costs resulting from geopolitical events lead to suboptimal investments due to insufficient funds for investment	4.04	.844	249
The possibility of a future recession increases when a geopolitical event occurs that affects the flow of international capital	3.85	.879	249
Uncertainty resulting from geopolitical tensions increases stock market volatility and negatively impacts stock returns and stock liquidity	3.98	.808	249
social or political unrest may lead to unexpected changes in policy within a country, negatively impacting investor confidence in that country's currency	4.10	.801	249
The economy is affected by geopolitical risks through their impact on the banking sector and stock markets	4.07	.893	249
Geopolitical risks increase information asymmetries between companies and external investors or lenders	3.85	.855	249
mv2	3.9853	.66349	250

The average for the second set of questions was more than3.5 indicating a high acceptance of the effects of geopolitical risks and no correlation problem.

Table 7 Descriptive Statistics

	Mean	Std. Deviation	N
The possibility of a future recession increases when a geopolitical event occurs that affects the flow of international capital	3.85	.879	249
Geopolitical risks affect competition from scarce resources such as oil, water, and minerals on Foreign Exchange Rate Fluctuations	3.94	.850	249
Geopolitical risks affect the stability of the financial situation, especially the exchange rate markets	4.13	.800	249
Geopolitical crises can influence central banks to either tighten or relax monetary policy, depending on the prevailing economic conditions and objectives	4.18	.764	249
Geopolitical crises can cause increased government debt through a combination of higher spending and targeted fiscal support	4.06	.873	249
Government entities can influence the exchange rate by imposing restrictions on foreign exchange, in addition to imposing restrictions on foreign trade, as well as intervening by buying and selling currencies in the foreign exchange market	4.04	.822	249

The policies and principles of preparing the state's general budget are considered one of the factors affecting exchange rates, as the general budget plays a major role in influencing exchange rates	4.16	.775	249
mv3	4.0853	.65079	250

The average for the third set of questions was more than3.5 indicating a high acceptance of the effects of geopolitical risks and no correlation problem.

Tables of correlation analysis show that dependent variable foreign exchange rate is correlated with other independent variable, but with no high correlation suggesting that there is no multicollinearity problem evidenced by VIF value.

The research hypotheses were evaluated through data analysis conducted using the Statistical Package for the Social Sciences (SPSS). Appropriate statistical techniques were employed based on the nature of the data, with all analyses performed at a 95% confidence level. The results of the hypothesis testing are presented below:

1.11 Research Hypotheses

This hypothesis was tested by analyzing the answers of the sample's two groups on

The first question in the questionnaire assessed understanding of geopolitical risk, represented by variables from X1 to X6. The Five Likert scale was used, and the following weights were assigned to the responses of the sample members: (5) very important, (4)

important, (3) neutral, (2) not important, (1) not important at all.

the second question aimed to determine the sources of geopolitical factors, represented by variables X21 to X26.

The third question aimed to identify the main factors influencing geopolitical risk, represented by variables X31 to X36.

The results in the table no. (5) showed that there were no statistically significant

differences between the responses of the two sample groups, where the calculated P

value was greater than 0.05 for all variables, which

indicates the impact of understanding and evaluating geopolitical risks, including their sources, assessment methodologies, and main factors affecting them, on foreign exchange rates, and then makes it likely to accept the three hypotheses. which are as follows:

H1: Statistically significant effect analysis of the understanding and evaluation of geopolitical risks and their effects on Foreign Exchange Rate Fluctuations.

Table 8 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.928[a]	.862	.861	.24251	.862	1545.180	1	248	.000	1.739

Table 9 ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	90.872	1	90.872	1545.180	.000[b]
	Residual	14.585	248	.059		
	Total	105.457	249			

Table 10 Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.182	.100		1.811	.071		
	m1	.956	.024	.928	39.309	.000	1.000	1.000

Based on the above, there is a significant positive relationship between the variables as the P-value is less than .01. Therefore, the hypothesis was accepted, which states that there is a statistically significant effect on understanding and evaluating geopolitical risks and their impact on Foreign Exchange Rate Fluctuations.

Second hypothesis: Statistically significant influences of the sources of geopolitical risks on foreign exchange rate fluctuations from an accounting perspective.

Table 11 Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.876[a]	.768	.767	.31400	.768	821.574	1	248	.000	1.146

Table12 ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	81.005	1	81.005	821.574	.000[b]
	Residual	24.452	248	.099		
	Total	105.457	249			

Table13 Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.659	.121		5.441	.000		
	m2	.860	.030	.876	28.663	.000	1.000	1.000

Based on the above, there is a significant positive relationship between the variables as the P-value is less than .01. Therefore, the hypothesis was accepted, which states a statistically significant effect of the sources of geopolitical risks on Foreign Exchange Rate Fluctuations.

H3 Statistically significant effect analysis of the assessment, and the main factors affecting geopolitical risk analysis and their effects on Foreign Exchange Rate Fluctuations.

Table13 Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.934[a]	.873	.872	.23301	.873	847.637	2	247	.000	1.506

Table14 ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	92.046	2	46.023	847.637	.000[b]
	Residual	13.411	247	.054		
	Total	105.457	249			

Table 15 Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.146	.097		1.506	.133		
	mv1	.741	.052	.719	14.260	.000	.203	4.937
	mv2	.230	.049	.234	4.650	.000	.203	4.937

Based on the above, there is a significant positive relationship between the variables, as the P-value is less than .01. Therefore, the hypothesis was accepted, which states a robust statistical association between the assessment and the main factors in geopolitical risk analysis and their effects on Foreign Exchange Rate Fluctuations>

Conclusion

The outcomes of this study underscore the critical need for policymakers to systematically monitor, comprehend, and assess geopolitical risks, including their underlying sources, evaluation methodologies, and key influencing factors. Proactive management of these risks is essential in mitigating their adverse impacts on exchange rate stability. Given that real geopolitical events exert a more pronounced influence on exchange rates than mere geopolitical threats, policymakers should consider prioritizing measures aimed at reducing the likelihood of such events. These measures may include diplomatic initiatives to de-escalate geopolitical tensions, efforts to diversify economic structures to lessen dependence on vulnerable trade relationships, and the establishment of resilient financial safety mechanisms to buffer against potential geopolitical shocks.

At the international level, they pose increasing management challenges. Instability that impacts investment returns may arise from a change in government, legislature, other foreign policymakers, or military control.

Geopolitical risks are key threats to organizations, encompassing political, economic, military, and social risks arising from state intervention. They often emerge during power shifts, crises, or conflicts, posing significant challenges to boards and management. Instability affects investment returns due to changes in governance, policies, or military control.

Global geopolitical risks escalated significantly following Russia's invasion of Ukraine, drawing heightened attention from investors, market participants, and policymakers. This event underscored concerns that wars and adverse geopolitical developments can impede global economic growth while simultaneously exerting upward pressure on inflation. The transmission of geopolitical shocks to inflation operates through multiple channels, including adverse supply-side factors such as supply chain disruptions, reductions in international trade, and rising commodity prices; demand-side effects encompassing diminished consumer confidence and tighter financial conditions; and policy responses characterized by expansionary fiscal and monetary measures.

The findings emphasize the necessity of recognizing the complex and multifaceted nature of geopolitical shocks and their economic repercussions. Consequently, policymakers must maintain vigilance and adaptability in managing evolving geopolitical risks. In these circumstances, careful consideration is required to balance the risk of allowing inflation to become entrenched against the potential adverse effects of overly aggressive policy tightening, which could exacerbate economic contraction

Boards and risk management must recognize these risks as strategic threats,
impacting supply chains, compliance, reputation, and cybersecurity. Auditors play a crucial role in organizational preparedness.

Risk management and boards must collaborate on geopolitical risks, providing executive decision-makers with timely and relevant information to navigate challenging environments.

Geopolitical uncertainty is a persistent factor that will contribute to increasingly risky and volatile business conditions in the coming years. Risk management and boards of directors must work closely as partners in addressing geopolitical risks. The key lies in sharing information relevant to the organization.

Risk management should conduct comprehensive and independent assessments of geopolitical risks, collaborate with management, and integrate significant risks. They must also keep the board and audit committees informed and ensure that timely measures are taken to address these risks.

Boards and risk management are encouraged to tackle risks linked to geopolitical events. A clear Comprehension of risks and their potential impacts facilitates the development of appropriate interventions and contributes to building more resilient organizations.

Geopolitical risks are unlikely to disappear soon, and new ones will continue to arise. Organizations must be prepared for all scenarios.

So, this research aimed to aims to conduct an extensive accounting analysis of the impact of geopolitical risks on foreign exchange rates, and construct a conceptual framework for the Realization and evaluation of geopolitical risks. Finally, the research aimed to Implications of Geopolitical Risks for Standards 13 and 21.

To achieve these objectives, the study employed an inductive approach to examine the validity of the research hypotheses within the practical context of the Egyptian business environment. This was accomplished through a field study conducted on a sample of 250 participants, categorized into three groups: academics (represented by accounting professors from Egyptian universities), practitioners in brokerage (represented by accountants), and banking professionals (represented by accountants and financial managers). Appropriate statistical tests were applied following the nature of the data collected.

And based on the results of the field study, the first hypothesis was accepted, which states that statistically significant effect on the understanding and evaluation of geopolitical risks and effects on Foreign Exchange Rate Fluctuations in Egyptian business companies. Also, the second hypothesis was accepted, which states that statistically significant effect for the sources of geopolitical risks on Foreign Exchange Rate Fluctuations in Egyptian business companies, as well as the third hypothesis which states that statistically significant effect the assessment, and the main factors on geopolitical risk analysis and effects on Foreign Exchange Rate Fluctuations in Egyptian business companies.

Future research may undertake a more detailed examination of the distinct categories of geopolitical risk and their differential effects on exchange rate dynamics.

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مستخلص البحث

تهدف الدراسة إلى القيام بتحليل محاسبى لأثر المخاطر الجيوسياسية على أسعار صرف العملات الأجنبية يتحقق ذلك بإتباع المنهج الإيجابى فى بناء إطار مفاهيمى للمخاطر الجيوسياسية من منظور محاسبى يتناول فهم وتقييم المخاطر الجيوسياسية ، مصادر المخاطر الجيوسياسية ، طرق تقييم المخاطر الجيوسياسية والعوامل الرئيسية المؤثرة فى تحليل المخاطر الجيوسياسية ثم القيام بدراسة وتحليل المعيارين أولهما : المعيار المصرى رقم (13) وثانيهما : المعيار الدولى رقم (21) والمرتبطان بالتغيرات فى أسعار صرف العملات الأجنبية والتنبؤ بإنعكاسات المخاطر الجيوسياسية على تلك التغيرات فى أسعار صرف العملات الأجنبية. وأخيراً اشتقاق الفروض من تحليل الدراسات المحاسبية السابقة وإختبارها بتحليل الإنحدار لبيان أثر المخاطر الجيوسياسية على التغيرات فى أسعار صرف العملات الأجنبية وقد أوضحت نتائج الدراسة الميدانية لوجود أثر معنوى للمخاطر الجيوسياسية على أسعار صرف العملات الأجنبية . وتعد هذه الدراسة امتداداً للدراسات السابقة ولإثراء المعرفة.

الكلمات المفتاحية : مخاطر الجوسياسية ؛ سعر الصرف الأجنبي