Case 7-2

[Name of the Writer]

[Name of the Institution]

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**Introduction**

This paper is about the analysis of business case which is about Icelandic Enterprises, Inc. In this paper, the case has been analyzed from every perspective. After the case analysis, the paper proceeds with strong reasoning on the questions raised in the case. After the analysis, it comments on the policies of international cosmetics, based on "as reported". The next phase states the management's statement correct that the conversion of their annual report would directly estimate the inflation impact. While, at the last, few policies have been recommended based on adjusted inflation numbers.

**Question No 1**

**Answer**

It could be seen and witnessed that the International Cosmetics' Policy has and resulted doubled its revenues from the year of 2011 to the end of 2002. It can be seen based on reports. The annual sales volume of the Icelandic Enterprise has got an increase of 14.6 billion dollars from 8.2 billion Irish Kroner in 2001. This increase in sales volume has seen from the year 2001 to the year 2002 where the earnings have seen even doubled. The sales of Icelandic Enterprises has reached $463 million from $328 million in 2002 when it has converted to US dollars at the average exchange rates in the market at the period (Choi, & Meek, 2010). Here the earnings have got an increase of 112 percent when compared with 2001.

Based on earnings or profits "as reported", the demand for dollar dividends of International Cosmetics looks highly justifiable and this could be meet by the Icelandic Enterprises much easily.

**Question No 2**

**Answer**

Statement of the management that the currency conversion "directly and automatically estimates the ultimate effect of inflation". This statement is true and fine in one case which is when the exchange rates are completely and perfectly negatively correlated with variances in the national inflation rates. This condition of the situation is known as purchasing power parity but the condition "purchasing power parity" is not present in the case we have at hand (Choi, & Meek, 2010). The brief and a short review and analysis of exchange rate information and price level witnesses that the inflation variances between the US and Iceland have not been offset by differences in the value of $ of the Krona (Boyd, Levine, & Smith, ). For example, a method of accounting inflation before the translation of currency would deliver beneficial information to the management of Icelandic Cosmetics Ltd, and the Icelandic Enterprises Incorporation.

**Question No 3**

**Answer**

On the basis of Krona results (adjusted results and outcomes), the overall performance or operations of Icelandic Enterprises does not seem too impressive. This looks at the very first sight, whether, in dollars or krona. Accordingly the strategy and policies of International Cosmetics to put huge pressure and to make the dividends of Icelandic Enterprises look unsuitable and productive, especially those dividends which comes from profits after tax. International Cosmetics needs to invest more funds and resources instead of withdrawing funds from the business or company (Boyd, Levine, & Smith, ). They should not withdraw money which is needed for investment in the company's equipment. In so inflationary business environment like Iceland, International Cosmetics need to concentrate to preserve at least the overall purchasing power of their basic investments (Choi, & Meek, 2010). Additionally, it needs to act for the preservation of the production capacity of Icelandic Enterprises.

**Conclusion**

After the case analysis, it has been concluded that the earnings of Icelandic Enterprises have reported as doubled from 2001 to 2002 which shows a 112 percent increase. And, based on increased profits, the demands for dollar dividends looks highly justifiable which can be meet easily by Icelandic Enterprises. The management statement about currency conversion is right and true if the exchange rates are completely negatively correlated with differences in exchange rates nationally. In terms of recommendation, the recommendations are that the International Cosmetics needs to invest more funds and resources instead of withdrawing funds, they should not withdraw money which is needed for investment in company's equipment and International Cosmetics need to concentrate to preserve at least the overall purchasing power of their basic investments.

**References**

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Choi, F, & Meek, G. (2010). International Accounting, 7th edition. Upper Saddle River, N. J.: Pearson Education. ISBN: 9780136111474