

Assignment example

Finance



Ford Motor Analysis Ford Motor is an American international automaker company headquartered in Dearborn, Michigan. The company operates in many countries including Mexico. Ford's foreign revenue declined slightly between 2013 and 2014. According Ford Motor Co., the company earned approximately 146.92 billion in 2013 and about 144.08 billion in 2014 (1). Despite such a decline in total revenue, Ford has increased its operations in foreign countries. For example, in late 2009, the company started building a new store in China's southwest city (Mueller 48). The firm used the new plant to produce next-generation Focus car.

Ford's financials for the fiscal year that ended December 2003 addressed foreign exchange risk management. The company first understands and measures its exposure to various risks. For example, Ford is exposed to foreign currency risks. The firm utilizes cash flow hedges to prevent and minimize the risks. However, Ford hedges only between 25% and 30% of its foreign exchange risks. The firm hedges various currencies including Swedish krone, Mexico pesos, British sterling pounds, Brazilian reals, and Japanese yen (Hyman 32). Ford uses various hedging techniques to minimize the risks. These methods include value-at-risk (VaR) analysis. VaR assists the organization to assess its exposure to variations in foreign currency exchange rates. The VaR model focuses on profit and losses. Therefore, the technique allows Ford to calculate the size of the deviation between the probable profit and a yearly planned profit with a 95% probability.

The current currency volatility in Venezuela is Ford's primary concern. In 2015, the company announced that, it took charge related to its operations in Venezuela that would reduce fourth-quarter net profit by about \$700 millions (Reuters 1). Venezuelan bolivars value fluctuates due to the illegal

market. Reuters reported that illegal traders exchange a dollar for more than 180 bolivars. Such exchange rate is high compared to the country's three-tiered exchange rate system. Venezuela's currency exchange rate ranges between 6.3 bolivars and 50 bolivars to the dollar (6). Overall, Ford has grown significantly since its establishment. Despite the fact that the company experiences many risks in its operations, the firm adopted sound hedging techniques. Similarly, any company operating either locally or internationally might experience different challenges. However, good management strategies would propel the company.

Works Cited

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