

# Foreign exchange hedging at gm essay

[Business](#), [Accounting](#)



Abstract: How should a multinational firm manage foreign exchange exposures? The case examines transactional and translational exposures and alternative responses to these exposures by analyzing two specific hedging decisions by General Motors.

Describes General Motors' corporate hedging policies, its risk management structure, and how accounting rules impact hedging decisions. The company is considering deviations from prescribed policies because of two significant exposures: an exposure to the Canadian dollar with adverse accounting consequences and an exposure to the Argentinean currency when devaluation is widely anticipated. Students must evaluate the risks General Motors faces in each situation and consider which hedging strategy – if any – might be appropriate.

Asks students to analyze the financial costs and accounting treatment of alternative derivative transactions for hedging purposes. How should a multinational firm manage foreign exchange exposures? Examines transactional and translational exposures and alternative responses to these exposures by analyzing two specific hedging decisions by General Motors. Describes General Motors' corporate hedging policies, its risk management structure, and how accounting rules impact hedging decisions. Although the overall corporate hedging policy provides a consistent approach to the foreign exchange risks that General Motors must manage, the company also has to consider deviations from prescribed policies.

Describes two such situations: a significant exposure to the Canadian dollar with adverse accounting consequences and GM's exposure to the

Argentinean currency when devaluation is widely anticipated. Students must evaluate the risks General Motors faces in each situation and consider which hedging strategy—if any—might be appropriate. Additionally, asks students to analyze the financial costs and accounting treatment of alternative transactions for hedging purposes. A rewritten version of an earlier case.