

# Billabong case

Business



College: Why does a fall in the value of the Australian dollar against the U. S dollar benefit Billabong? The gaining in the value of the U. S. dollar (USD) against Australian dollar (AUD) benefits Billabong in two means, strengthened price aggressiveness and translation advantage. Initially, the Americas section accounts for up to 50% of Billabong's trade revenue in 2009 and 2008. In the case of a fall in value Australian dollar against United States dollar, the price of importation surfwear in America in terms of United States dollar will decrease. The American importers demand extra for Billabong's produce. The sales rise from the strengthened cost aggressiveness. Secondly, when Billabong obtained payment from the merchants, thus it will be translated back into Australian Dollar for application in Australia. As Australian dollar depreciates, the receiving in United State can be interpreted into more Australian dollar than before, bringing rise in trade revenues. The impact of 35. 6% depreciation in value of Australian dollar in the subsequent half 2008 was echoed in the interim account ended Dec 2009, with trade revenues in the United States improved by 33. 9% (to \$385 million).

2. Could the rise in the value of the Australian dollar that occurred in 2009 have been predicted?

One can envisage the future exchange price by using forward trade rate. In times of fiscal crisis, the forward business rate is not a fine predictor since the market is incompetent. In an inadequate market, Fundamental advance can be employed for forecasting, footed on economic theories and study of variables. Though it is not efficient in forecasting the short-term variations in trade rates, also it is ample as there would constantly be fluctuations that would not be anticipated. Another advance could be using technological

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analysis to establish the movement of cash by analyzing historical information. This approach is supposed to be a ball that is crystal since there is no hypothetical rationale. The financial catastrophe has caused unanticipated variations in the value AUD. Press prediction for the trade rates predictions of two thousand and nine in the late two thousand and eight were towards continual reduction. It was 67. 83 United States Dollars on Christmas Eve two thousand and eight.

3. What might Billabong had done in order to protect itself better against the unanticipated rise in the value of the Australian dollar that occurred in 2009?

What happens in the foreign exchange market can have a fundamental impact on the sales, profits, and strategy of an enterprise. Accordingly, it is essential that Billabong managers could have understood the foreign exchange market, and what the result of variation in currency trade rates might be for Billabong.

4. The Australian dollar continued to rise by another 20 percent against the U. S dollar in 2010 and 2011. How would this have affected Billabong? Badly is there anything that Billabong might have done to limit its long-term economic exposure to changes in the value of the currency in its largest export market?

Billabong should have insured against foreign exchange risks. Billabong also should have accommodated successful economies. Also, It would have worked out its management, by employing a strong management.

Works Cited

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