Finance minicase assignment

History, American History

In your upcoming series on multinational finance, I would like to make sure you cover several specific points. Before you begin this assignment, I want to make sure we are all reading from the same script because accuracy has always been the cornerstone of the Daily Planet. I'd like a response to the following questions before we proceed: a. What new problems and factors are encountered In International, as opposed to domestic, financial management?

When getting into international finance some problems and factors are added to the ones experienced within domestic finance. These problems come from exchange rate, cross border barriers and financing opportunities in the global market but they do not get rid of the typical Business and Financial Risks. Business Risks can be identified as the ones that come out with competition from other companies, reduction in sales or any other factor that may affect the activities of the NC, and Financial Risk Is related with the firm's financial structure.

The International trade and Investment of a NC requires the handling of foreign currencies which Is sometimes translated as an Exchange Rate risk due to the Latinity of the exchange rate. Added to this exchange risk. Multinational Companies among their legal resolutions, taxation procedures of movements in policies. B. What does the term arbitrage profit mean? Arbitrage profit means rissoles profit, this is possible thanks to arbitrageurs who are individuals involved in the process of buying and selling in more than one country to achieve this rissoles profit. . What can a firm do to reduce exchange risk? In order for a firm to reduce its exchange risk some firms use forward-market and money-market hedges, nonetheless when

these tools are not available NC apply eating and lagging strategies which are practiced to defer income and thereby delay paying taxes and to create unhinged positions in order to speculate; cash managers may delay paying out currencies they expect to appreciate and accelerate paying out currencies they expect to depreciate. D.

What are the differences among a forward contract, a futures contract, and options? ; Forward contracts are agreements between two parties where the buyer agrees to purchase an asset (the foreign currency) and the seller agrees to sell the asset at a specific date at a price agreed upon now. ; Futures contracts are similar but are denaturized and traded on an organized exchange. Options offer the buyer the right, but not the obligation, to buy or sell an underlying asset (the foreign currency) at a fixed price up to or on a specific date.