

9.7: End-of-Chapter Questions and Exercises

These exercises are designed to ensure that the knowledge you gain from this book about international business meets the learning standards set out by the international Association to Advance Collegiate Schools of Business (AACSB International). Association to Advance Collegiate Schools of Business website, accessed January 26, 2010, <http://www.aacsb.edu>. AACSB is the premier accrediting agency of collegiate business schools and accounting programs worldwide. It expects that you will gain knowledge in the areas of communication, ethical reasoning, analytical skills, use of information technology, multiculturalism and diversity, and reflective thinking.

EXPERIENTIAL EXERCISES

(AACSB: Communication, Use of Information Technology, Analytical Skills)

1. You work for a global auto-parts company. Describe how you would use the spot and forward markets to manage the potential exchange rate risk between the countries from which you import (buy) components and the countries in which you sell auto parts. Select any three currencies to use in your discussion.

Access the following URL from fxstreet.com: <http://www.fxstreet.com/rates-charts/forward-rates>. Use it to determine if forward or futures contracts are available in all the currencies you selected.

2. You are working for the CFO of a global food-products company with extensive operations in North America, South America, Europe, Africa, and Asia. The firm is creating a new finance subsidiary to manage a number of financial transactions, including its foreign exchange, financing, and hedging transactions. Your CFO has asked you to prepare an analysis of two offshore financial centers—Bermuda and Luxembourg. Research the pros and cons of each center and make a recommendation to your CFO.

Ethical Dilemmas

(AACSB: Ethical Reasoning, Multiculturalism, Reflective Thinking, Analytical Skills)

1. Imagine that you are the finance manager in control of purchasing for a small manufacturing company. Your supplier in Russia tells you that there are two quotes, one for payments in US dollars by wire transfer or check and one for a US dollar cash-like transaction. The cash transaction is almost 10 percent cheaper, which could earn your firm a nice profit and a potential year-end bonus for you. How do you handle the phone call and the decision? Discuss the ethical and business issues involved. If you decide against the cash-like transaction, do you tell your senior management? What do you recommend to your management about future dealings with this supplier? Russia is one of the most corrupt countries for businesses. What options does your firm have if it needs to source from Russia? Use fxstreet.com (<http://www.fxstreet.com/rates-charts/>) to research and discuss more.
2. Global companies transact business in multiple countries and currencies. Using information you learned in this chapter, discuss whether companies should set up offshore companies to manage their currency and financial transactions. More specifically, if you worked for Walmart, would you recommend that the firm set up an offshore company? Why or why not?

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