Worldwide Businesses

Name:

Institution:

Worldwide Businesses

**Multinational Companies**

**Question 1**

There are different macroeconomic factors that affect the rates of exchange in the market. They include the following:

**Inflation rates**

Inflation can simply be defined as a state where the prices of goods, services, and other commodities in the market increases, and the money purchasing power or value are affected. It is apparent that when there are deviations in market inflation, it is inevitable to avoid exchange rate changes. Ideally, any City State with inflation that is rising suffers from the depreciation of the currency, which is associated with interest rates that are high (Abdoh, Yusuf, Zulkifli, Bulot & Ibrahim, 2016).

**Interest rates**

Another major macroeconomic factor that affects the rates of exchange is interest rates. Ideally, the higher the interest rates are in the country, the higher the exchange rates. All the interest rates changes affect the rates of exchange as well as the currency worth in one way or the other. There is a correlation that exists between interest rates and rates of exchange. When the rates of exchange go high, more foreign capital is attracted. Consequently, exchange rates go higher.

**Government debt**

The government debt is also referred to as public debt. It is paramount that when the public debt is high, the probability of the government acquiring foreign capital is low, which results in inflation. It happens that when foreign investors learn that a country has high public debt, they trade all their bonds in the open marketplace, which results to decrease in the worth of the rates of exchange.

**Recession**

It is paramount that when there is a recession within a country, the rates of interest fall severely, thus affecting the odds of acquiring any foreign capital. Consequently, the weakening of the currency is observed compared to other different countries (Badullahewage & Jayewardenepura, 2018). This, in return, affects the exchange rates by lowering them.

**Political stability and performance**

It is evident that the political state of the nation really determines the growth and development of the economy in that country. Political instability hugely affects the strength of the currency in a state. A country that is politically stable attracts more foreign exchange as compared to the ones that are politically unstable. Outwardly, political instability leads to depreciation in the rates of exchange.

**Terms of Trade**

This can simply be termed as the ratio of disseminates values to that of the values of the importations. Outwardly, the terms of trade of a country will only improve if the prices of all the exports in that country rise at a rate that is greater than that of the prices of all the imports. When this happens, it leads to an increase in revenue, thus raising the demand for the currency of that country. This, in return, results in an appreciation of the rates of exchange.

**Question 2**

The derivative can simply be termed as a form of agreement between two parties or more whose value is basically determined by the financial asset, security, or index. They relate to different instruments that help to manage risks in finances. Most importantly, derivatives help ensure the investment of an individual or organization against fluctuations in the market. There are different types of derivative contracts. They include forwards, futures, and options.

**Forwards**

This is a type of contract whereby two different parties come to an agreement to transact in a future date. Apparently, one party commits to sell an essential asset at a given price while the other party agrees to buy at a given date in the future. The price movement of the asset determines the gain or loss of either of the party. When there is an increase in the price, there is gain on the side of the buyer since he still has to make the purchase of the asset at the lower and older price. On the other hand, the seller registers some losses (Osayi, Kasimu & Nkwonta, 2018).

**Futures**

Just like the forwards, futures are treaties made by two or more parties to sell and buy an asset at a future date and also at an arranged worth or fee. However, some distinctions between the forwards and the futures exist. First, in futures, the daily changes are sorted on the day to day basis until the contract ends. It is also apparent that the settlement for futures can simply occur over a range of dates.

Futures are normally traded on an exchange, which means that they got clearinghouses, which ensures that there is a guarantee of all the transactions made or to be made. This is crucial since the probability of default is low. It is also important to note that the futures market tends to be highly liquid as compared to forwards, thus allowing the investors to have the freedom to exit or enter at any time (Clack & Vanca, 2018, November).

**Options**

Options are agreements that are merely dependent on the prices of the fundamental asset at a future date. The payoffs of the options are only phenomenal if the price associated with the fundamental asset gets to a certain threshold. This type of contract is special and different from others since it gives one the right to buy an asset but not an obligation to sell or buy. It is evident that option contracts are mostly used in commodities, transactions of real estate, and insecurities. This means that for the options contract, one has the freedom to choose to buy or sell or not.

**Question 3**

**Apple, Inc. Products**

Apple, Inc. is one of the best renowned international companies in the world. The corporate headquarters are located at Cupertino, California, in the United States of America. It is apparent that the corporation is known for the production of the best consumer electronics, personal computers, and software. Apple, Inc. is known for the production of unique products that are recognizable all over the world. The brand is expensive, and the products are of high quality. These hardware merchandises include the iPad tablet, iPhone smartphones, iPod broadcasting players, Apple watch smart watches, Mac Personal computers, Macintosh, AirPods earbuds, and Home Smart speakers. Other products produced by the corporation include macOS, iOS, watchOS operating systems, Apple pay, oCloud, and a variety of accessory services and different offerings in support.

**Apple, Inc. management team**

Apple, Inc. makes use of a hierarchical type of organizational structure with different divisions. It is a matter of the fact that the structure of the organization used at the corporation facilitates the kind of invention and innovations witnessed at the company. Ideally, the management really contributes to the success of the company in online services, information technology, and customer electronics businesses. The corporate structure of an organization is comprised of the workforce from different groups, interconnections, and resources in the business.

The executive of the company includes the Chief Executive Officer-Tim Cook, the senior vice president and General Counsel-Katherine Adams, Senior Vice president, and Internet software services-Eddy Cue, Senior Vice-President software engineering Craig Federighi, Co-founder- Susan Wagner, and President and CEO-Andrea Jung among many others (Smaradottir, Håland & Martinez, 2018). It is a matter of the fact that in the past, all the activities run by Apple, Inc. were under Steve Jobs. He merely made all the decisions on strategic management. However, it is now paramount that under Tim Cook, who is the current Chief Executive Officer of the Corporation, there is more collaboration among different segments of the corporation, such as hardware and software teams. There are lower and upper tiers of the corporate structure of the organization too. There are different senior vice presidents and vice presidents that are head of different products or outputs.

It is apparent that the success at Apple, Inc. is attributed to different innovations initiated by Steve Jobs. The current Chief executive officer of the corporation, Tom Cook, has made some changes in the organizational structure to accommodate the increased industrial demand in the market. This is crucial to maintain a competitive edge in the market. It is apparent that in the current world, competition is paramount. For Apple to compete with other giant companies such as Google, IBM, Amazon, and Sony, they have to use a management team that is ready to come up with strategies that will lead to nothing else rather than success and growth.

**One of the Foreign markets where Apple, Inc. operates**

One of the largest foreign markets outside the United States of America for the products manufactured by Apple, Inc. is China. The main reason for selecting this market is because it is the second market for the products after America. The revenue that comes from China from the sale of the products is higher than the one that comes from the entire Europe. It is also paramount that China is the second country with the greatest economy after the United States of America. The Gross Domestic Product, as well as the per capita income, are promising as compared to different countries in the world, especially the developing countries. To this extent, therefore, there are high chances that the products from Apple, Inc., which are known to be costly but of high quality, sell greatly in China than in these countries.

**The geographical location of China**

China is positioned on the south-east sideways of Asia. The country is not landlocked since it is along the great Pacific Ocean. It is known to be among the largest countries in the world in terms of size. It has an area of around 9.6 million square kilometers. This makes it the third-largest country worldwide behind Russia and Canada. The main borders of the country are Vietnam, Korea, Burma, India, Pakistan, Nepal, and Mongolia, among others. China can be accessed easily through various forms of transport such as water, air, and railway transport.

**Regulations**

China is a democratic country and does not prohibit the entry of goods that are licensed. The country encourages international investors and also creates trade ties with different organizations and countries across the Globe. It is paramount China is a country that advocates for foreign investments and does not emphasize many regulations on international investors. There is a foreign investment law in the country that stipulates all the rules and regulations that all foreign companies should observe while investing in China. The country has continually supported the growth and development of different foreign companies operating within their borders as long as they are obeying all the set rules and laws of the land.

**China BOP and how it affects their currency**

The balance of payment or the BOP can simply be defined as a statement that records all the transactions that are made between different bodies, mainly in one city-state and the rest of the world over a certain duration of time. China is among the countries that are doing well economically in terms of growth and development. In fact, the Republic of China is the second country with the greatest economy after the United States of America. The balance of payment of China as of March 2020 was at 8.100 USD. The country has different companies that operate in different countries all over the world, especially in Africa. There are numerous transactions that occur between China and other countries or corporations outside china that make their BOP to be high. The BOP affects the local currency in two ways. There might be either the depreciation of the currency or appreciation of the same. In China, the BOP mostly leads to an appreciation of their currency.

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