**Dozier Industries**

Please show exactly how you came up with the answer to each of the quantitative questions below.

**Questions**

1. What is Dozier’s foreign exchange exposure? That is, what exchange rate movements might hurt them?
2. At what exchange rate will Dozier’s entire profit be wiped out? In other words, at what exchange rate will Dozier’s total costs be equal to its total revenues?
3. Describe how Dozier could hedge this exposure with a forward contract. Be specific and include the correct numbers. What is the **present value** of the revenues Dozier will receive if it hedges with a forward contract?
4. Describe how Dozier could hedge this exposure with a money market hedge. Again, be specific and include the correct numbers. What is the **present value** of the revenues Dozier will receive if it hedges with a money market hedge?
5. For questions 3 and 4, if you needed to use a discount rate to find a present value, which one did you use and why do you think it is the appropriate one to select for determining which hedge Dozier should use?
6. Would Dozier be better served by hedging its exposure with a forward contract or with a money market hedge?