



اوتنوورسي تيكنولوغي مارا
UNIVERSITI TEKNOLOGI MARA

**FOREIGN EXCHANGE RISK MANAGEMENT BY
CTRM AERO COMPOSITES SDN BHD, BATU
BERENDAM MELAKA**

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**BACHELOR OF BUSINESS ADMINISTRATION
(HONS) FINANCE
FACULTY OF BUSINESS MANAGEMENT
UNIVERSITY TEKNOLOGI MARA
BANDARAYA MELAKA**

OCTOBER 2010

**“ FOREIGN EXCHANGE RISK MANAGEMENT BY CTRM
AERO COMPOSITES SDN BHD, BATU BERENDAM MELAKA”**

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**Submitted in Partial Fulfillment of the Requirement for the
Bachelor of Business Administration (Hons) Finance**

FACULTY OF BUSINESS MANAGEMENT

UNIVERSITI TEKNOLOGI MARA BANDAR RAYA MELAKA

OCTOBER 2010

DECLARATION OF ORIGINAL WORK



**BACHELOR OF BUSINESS ADMINISTRATION
(HONS) FINANCE
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UNIVERSITI TEKNOLOGI MARA
MELAKA CITY CAMPUS**

“DECLARATION OF ORIGINAL WORK”

I, Fiszatulhusna Binti Nordin, (IC Number: 840707-08-6138)

Hereby, declare that,

- This work has not previously been accepted in substance for any degree, locally or overseas and is not being concurrently submitted for this degree or any other degrees
- This project paper is the result of my independent work and investigation, except where otherwise stated
- All verbatim extracts have been distinguished by quotation marks and sources of my information have been specifically acknowledged.

SIGNATURE: _____

DATE: _____

LETTER OF SUBMISSION

4th NOVEMBER 2010

Head of Program

Bachelor of Business Management (Hons) Finance

Faculty of Business Management

Universiti Teknologi MARA

Kampus Bandar raya Melaka

110 Off Jalan Hang Tuah

75300 Melaka

Dear Madam,

SUBMISSION OF PROJECT PAPER (FIN 667)

Attached is the project paper title “Foreign Exchange Risk Management by CTRM Aero Composites” to fulfill the requirement as needed by the Faculty of the Business Management, Universiti Teknologi MARA.

Thank you.

Yours sincerely,

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FISZATULHUSNA BINTI NORDIN

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Bachelor of Business Administration (Hons) Finance

ABSTRACT

CTRM Aero Composites Sdn Bhd, Batu Berendam, Melaka (CTRM AC) was incorporated on 16th August 1994. CTRM Aero Composites is the 15th largest composites airframe supplier for Airbus UK. This company obtained their material sources such as glass fiber, carbon fiber, and AGS composites mainly from suppliers in Europe and US. Therefore, CTRM Aero Composites are using multi currencies transaction in their business and it's important to realize the role that currencies play in the performance of company' business. The aim of this paper is to study on how to Finance Department of CTRM Aero Composites Sdn Bhd (CTRM AC) manage the foreign currency exchange risk. This research has been conducted due to huge number of transaction done in relation to foreign currency exchange. Since CTRM AC transactions involve heavily in import (purchases) and export (sales), it is crucial for the company to measure and manage exchange rate risk exposure to reduce company's vulnerabilities from major exchange rate movements, which could adversely affect profit margins and the value of assets. The methods use to complete the research are through primary sources of interviewing Finance Department staff as well as through secondary sources by reading of articles, journals and books related to the research. The result of the study shows the gap between the best practices on managing the foreign currency exchange risk with the current practice by Finance Department of CTRM AC. The result shows that there exist gap between procedures on managing foreign currency exchange risk current practice since the company do not have proper policy on managing the risk and not all hedging technique is fully utilized by the company. As a conclusion, there is no proper policy or procedures in managing foreign exchange risks by the company and CTRM AC use external forward contract extensively and try to apply hedging internally but ignoring other methods to hedge the foreign currency exchange risks.