

ABSTRACT

“A volatile” movement of exchange rate can make an exposure of a company especially Multinational company that usually using foreign currency and domestic currency in doing business transaction. This simple and intuitive concept is the cause of many difficulties in finance. Unlike many other market parameters which can be directly observed, Value at Risk a calculation of estimated loss as a supporting tools for the company in determine the strategy for managing their cash flow and minimize the risk of fluctuation of exchange rate.

Key words: Exchange Rate, exposure, Spot rate, Forward rate, Volatility, Value-atRisk (VAR), Hedging