Numbers and Operations: Director of International Finance

Lamb Weston

Job Description: Directs accounting functions in Holland, Turkey and India for the sale, manufacturing, and distribution of Frozen French Fries.

Problem:

Company A is a manufacturer and seller of French Fries and owns 40% of a similar company in Germany (Company G).

Company G sells French Fries throughout Europe. Company G sells 30,000,000 pounds of French Fries per year in Belgium alone. The customers in Belgium pay Company G in Belgian Franks.

Company G keeps their financial records in German Marks; however, Company G reports profits to Company A in U.S. Dollars.

How much money will Company A make in one year from sales of Company G's fries to Belgium, given the financial information below?

Currency Conversion Table

1 U.S. Dollar	=	1.50 German Marks
1 German Mark	=	20 Belgian Franks
1 U.S. Dollar	=	30 Belgian Franks

1. Average sales price per pound in Belgium: 10 Belgian Franks/pound.

2. Average cost to produce-per-pound in Germany: 0.40 German Marks (cents)/pound.

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See problem page for details.

Solution:

Revenue: 30,000,000 pounds x 10 Belgian Franks = 300,000,000

Convert to dollars: 300,000,000 ÷ 30 Franks/dollar = $10,000,000

Cost: 30,000,000 pounds x 0.40 German Marks = 12,000,000

Convert to dollars: 12,000,000 ÷ 1.50 Marks/dollar = $8,000,000

Revenue - Cost = Profit

$10,000,000 - $8,000,000 = $2,000,000 (Company G)

40% of profit belongs to Company A. Therefore, $2,000,000 x 0.40 = $800,000 is the profit of Company A from sales in Belgium.