FOREX CLASS 7 PART 1

HOME WORK SUPPORT

COVERAGE

Question			Answer			Lecture Time
Q. No	Page no.	Book	Q. No	Page no.	Book	
25	9	CW Q BOOK	25	12	CW ANS BOOK	00:00:32 TO 00:13:06
15	7	HW Q BOOK	15	9	CW ANS BOOK	00:13:07 TO 00:18:57

Topic 6 FORWARD PREMIUM OR DISCOUNT ON A CURRENCY

Question 25: CW Q BOOK PAGE 9

Excel Exporters are holding an Export bill in United States Dollar (USD) 1,00,000 due 60 days hence. They are worried about the falling USD value which is currently at ₹ 45.60 per USD. The concerned Export Consignment has been priced on an Exchange rate of ₹ 45.50 per USD. The Firm's Bankers have quoted a 60-day forward rate of ₹ 45.20.

Calculate:

i. Rate of discount quoted by the Bank

ii. The probable loss of operating profit if the forward sale is agreed to.

(Source: ICAI)

Answer: CW ANS BOOK PAGE 12

i. Rate of discount quoted by the bank

$$= \frac{(45.20 - 45.60) \times 365 \times 100}{45.60 \times 60} = 5.33\%$$

ii. Probable loss of operating profit:

$(45.20 - 45.50) \times 1,00,000 =$ ₹ 30,000

Topic 6 FORWARD PREMIUM OR DISCOUNT ON A CURRENCY

Question 15: HW Q BOOK PAGE 7

Digital Exporters are holding an Export bill in United States Dollar (USD) 5,00,000 due after 60 days. They are worried about the falling USD value, which is currently at ₹ 75.60 per USD. The concerned Export Consignment has been priced on an Exchange rate of ₹ 75.50 per USD. The Firm's Bankers have quoted a 60-day forward rate of ₹ 75.20.

Calculate:

i. Rate of discount quoted by the Bank, assuming 365 days in a year.

ii. The probable loss of operating profit if the forward sale is agreed to.

(Source: ICAI)

Answer: HW ANS BOOK PAGE 9

i. Rate of discount quoted by the bank

$$\frac{(75.20 - 75.60) \times 365 \times 100}{75.60 \times 60} = 3.22\%$$

ii. Probable loss of operating profit:

$(75.20 - 75.50) \times 5,00,000 = ₹\ 1,50,000$