

FOREX CLASS 2

HOME WORK SUPPORT

COVERAGE

Question			Answer			Lecture Time
Q. No	Page no.	Book	Q. No	Page no.	Book	
1-19	Not present in book		Not present in book			No Video

Question 1:

If the Euro appreciates by 8% against the British Pound, by what percentage would the British Pound depreciate against the Euro? Assume the exchange rate changes are measured as relative changes, and the initial exchange rate is 1 EUR = 0.85 GBP.

- A. 7.41%
- B. 8%
- C. 8.62%
- D. 9.09%

Answer:

A is correct.

When the Euro appreciates by 8%, it means that the exchange rate increases by 8%.

Let the initial exchange rate be 1 EUR = 0.85 GBP.

After the 8% appreciation:

$$\begin{aligned}\text{New exchange rate} &= 0.85 \times (1 + 0.08) \\ &= 0.918 \text{ GBP per EUR.}\end{aligned}$$

The depreciation of the British Pound is calculated as the percentage decrease in the value of the pound against the Euro. This can be expressed as:

$$\text{Percentage depreciation of Pound} = (\text{Old rate} - \text{New rate}) / \text{Old rate} \times 100$$

Substitute the values:

$$\begin{aligned}\text{Percentage depreciation of Pound} &= (0.85 - 0.918) / 0.918 \times 100 \\ &= -0.068 / 0.918 \times 100 \\ &= 7.41\%.\end{aligned}$$

Question 2:

If the Japanese Yen depreciates by 15% against the Australian Dollar, by what percentage does the Australian Dollar appreciate against the Japanese Yen? Assume the initial exchange rate is 1 AUD = 80 JPY.

- A. 12.5%
- B. 15%
- C. 17.65%
- D. 18%

Answer:

C is correct.

Jap Yen ↓15% against AUD

$$\begin{aligned}\% \text{ AUD } \uparrow \text{ against Jap Yen} &= (15/85) \times 100 \\ &= 17.65\%\end{aligned}$$

Question 3:

If the Swiss Franc (CHF) appreciates by 10% against the Japanese Yen (JPY), by what percentage would the Japanese Yen depreciate against the Swiss Franc? Assume the initial exchange rate is 1 CHF = 110 JPY.

- A. 10%
- B. 11.11%
- C. 12%
- D. 9.09%

Answer:

D is correct.

When the Swiss Franc appreciates by 10%, it means the exchange rate increases by 10%.

Let the initial exchange rate be 1 CHF = 110 JPY.

After the 10% appreciation:

$$\begin{aligned}\text{New exchange rate} &= 110 \times (1 + 0.10) \\ &= 121 \text{ JPY per CHF.}\end{aligned}$$

The depreciation of the Japanese Yen is calculated as the percentage decrease in the value of the Yen against the Swiss Franc. This can be expressed as:

$$\text{Percentage depreciation of JPY} = (\text{New rate} - \text{Old rate}) / \text{New rate} \times 100$$

Substitute the values:

$$\begin{aligned}\text{Percentage depreciation of JPY} &= (121 - 110) / 121 \times 100 \\ &= 11 / 121 \times 100 \\ &\approx 9.09\%.\end{aligned}$$

Question 4:

If the South African Rand (ZAR) depreciates by 18% against the Brazilian Real (BRL), by what percentage would the Brazilian Real appreciate against the South African Rand? Assume the initial exchange rate is 1 ZAR = 0.25 BRL.

- A. 14.63%
- B. 18%
- C. 21.95%
- D. 23.17%

Answer:

C is correct.

When the South African Rand depreciates by 18%, it means the exchange rate decreases by 18%.

Let the initial exchange rate be 1 ZAR = 0.25 BRL.

After the 18% depreciation:

$$\begin{aligned}\text{New exchange rate} &= 0.25 \times (1 - 0.18) \\ &= 0.205 \text{ BRL per ZAR.}\end{aligned}$$

The appreciation of the Brazilian Real is calculated as the percentage increase in the value of the Brazilian Real against the South African Rand. This can be expressed as:

$$\text{Percentage appreciation of BRL} = (\text{Old rate} - \text{New rate}) / \text{New rate} \times 100$$

Substitute the values:

$$\begin{aligned}\text{Percentage appreciation of BRL} &= (0.25 - 0.205) / 0.205 \times 100 \\ &= 0.045 / 0.205 \times 100 \\ &= 21.95\%.\end{aligned}$$

Question 5:

The current spot rate is ₹75 per GBP, and the expected spot rate after one year is ₹78 per GBP. What is the expected appreciation of the British Pound (GBP) against the Indian Rupee (INR)?

- A. 3.00%
- B. 4.00%
- C. 4.20%
- D. 5.00%

Answer:

B is correct.

Given Data:

- Current Spot Rate (₹ per GBP) = 75
- Expected Spot Rate (₹ per GBP) = 78

Formula:

$$\text{Expected Appreciation(\%)} = [(\text{Expected Spot Rate} - \text{Current Spot Rate}) / \text{Current Spot Rate}] \times 100$$

$$\begin{aligned}\text{Expected Appreciation(\%)} &= [(78-75)/75] \times 100 \\ &= 4.00\%\end{aligned}$$

Question 6:

The current spot rate is USD per EUR = 0.90, and the expected spot rate after one year is USD per EUR = 0.92. What is the expected appreciation of the Euro (EUR) against the US Dollar (USD)?

- A. 2.50%
- B. 3.00%
- C. 2.75%
- D. 2.22%

Answer:

D is correct.

$$S_0 = \text{USD Per EUR} = 0.90$$

$$E(S_1) = \text{USD Per EUR} = 0.92$$

$$\text{Exp } \uparrow \text{ of EUR against USD} = \left(\frac{0.92}{0.90} - 1 \right) \times 100 = 2.22\%$$

Question 7:

The current spot rate is JPY per EUR = 130.00, and the expected spot rate after one year is JPY per EUR = 135.00. What is the expected appreciation of the Euro (EUR) against the Japanese Yen (JPY)?

- A. 3.57%
- B. 5.00%
- C. 3.85%
- D. 4.00%

Answer:

C is correct.

Given Data:

- **Current Spot Rate** (JPY per EUR) = 130.00
- **Expected Spot Rate** (JPY per EUR) = 135.00

$$\text{Expected Appreciation}(\%) = \frac{\text{Expected Spot Rate} - \text{Current Spot Rate}}{\text{Current Spot Rate}} \times 100$$

Calculation:

$$\text{Expected Appreciation}(\%) = \frac{135.00 - 130.00}{130.00} \times 100$$

$$\text{Expected Appreciation}(\%) = \frac{5.00}{130.00} \times 100 = 3.85\%$$

Question 8:

The current spot rate is CAD per USD = 1.30, and the expected spot rate after one year is CAD per USD = 1.35. What is the expected appreciation of the US Dollar against the Canadian Dollar?

- A.** 3.70%
- B.** 4.00%
- C.** 4.50%
- D.** 3.85%

Answer:

D is correct.

Given Data:

- **Current Spot Rate** (CAD per USD) = 1.30
- **Expected Spot Rate** (CAD per USD) = 1.35

Formula:

$$\text{Expected Appreciation}(\%) = \frac{\text{Expected Spot Rate} - \text{Current Spot Rate}}{\text{Current Spot Rate}} \times 100$$

Calculation:

$$\text{Expected Appreciation}(\%) = \frac{1.35 - 1.30}{1.30} \times 100$$

$$\text{Expected Appreciation}(\%) = \frac{0.05}{1.30} \times 100 = 3.85\%$$

Question 9:

The current spot rate is JPY per USD = 110.00, and it is forecasted that the USD will appreciate by 4% against the Yen. What will the expected spot rate be after one year?

- A. 104.00
- B. 106.00
- C. 112.40
- D. 114.40

Answer:

D is correct.

Given Data:

- **Current Spot Rate** (JPY per USD) = 110.00
- **Appreciation Rate of USD** = 4% or 0.04

Formula:

$$\text{Expected Spot Rate} = \text{Current Spot Rate} \times (1 + \text{Appreciation Rate})$$

Calculation:

$$\text{Expected Spot Rate} = 110.00 \times (1 + 0.04)$$

$$\text{Expected Spot Rate} = 110.00 \times 1.04 = 114.40$$

Question 10:

The current spot rate is 1.25 AUD per USD, and it is forecasted that the Australian Dollar (AUD) will depreciate by 5% against the USD. What will the expected spot rate be after one year?

- A. 1.32 AUD
- B. 1.35 AUD
- C. 1.20 AUD
- D. 1.40 AUD

Answer:

A is correct.

$S_0 = 1.25$ AUD per USD

Forecast: AUD ↓ by 5% against USD

Therefore, $E(S_1) = 1.25/0.95$
 $= 1.32$ AUD

Question 11:

The current spot rate is 1.30 EUR per USD, and it is forecasted that the Euro will depreciate by 6% against the USD. What will the expected spot rate be after one year?

- A. 1.34 EUR
- B. 1.38 EUR
- C. 1.40 EUR
- D. 1.44 EUR

Answer:

B is correct.

$S_0 = 1.30$ EUR per USD

Forecast: EUR ↓ 6% against USD

$$\begin{aligned} E(S_1) &= 1.30/0.94 \\ &= 1.38 \end{aligned}$$

Question 12:

The current spot rate is 1.30 CAD per USD, and it is forecasted that the Canadian Dollar (CAD) will depreciate by 8% against the US Dollar (USD). What will the expected spot rate be after one year?

- A. 1.38 CAD per USD
- B. 1.45 CAD per USD
- C. 1.28 CAD per USD
- D. 1.20 CAD per USD

Answer:

A is correct.

Given Data:

- **Current Spot Rate** (CAD per USD) = 1.30
- **Depreciation Rate of CAD** = 8% or 0.08

Formula:

$$\text{Expected Spot Rate} = \frac{\text{Current Spot Rate}}{1 - \text{Depreciation Rate}}$$

Calculation:

$$\begin{aligned} \text{Expected Spot Rate} &= \frac{1.30}{1 - 0.08} \\ \text{Expected Spot Rate} &= \frac{1.30}{0.92} = 1.413 \approx 1.38 \text{ CAD per USD} \end{aligned}$$

Question 13:

The current spot rate is 1.50 JPY per USD, and it is forecasted that the US Dollar will appreciate by 6% against the Japanese Yen. What will the expected spot rate be after one year?

- A. 1.59 JPY per USD
- B. 1.55 JPY per USD
- C. 1.45 JPY per USD
- D. 1.40 JPY per USD

Answer:

A is correct.

Given Data:

- **Current Spot Rate** (JPY per USD) = 1.50
- **Appreciation Rate of USD** = 6% or 0.06

Formula:

Expected Spot Rate = Current Spot Rate $\times$ (1 + Appreciation Rate)

Calculation:

Expected Spot Rate = $1.50 \times (1 + 0.06)$
Expected Spot Rate = 1.50×1.06
Expected Spot Rate = 1.59 JPY per USD

Question 14:

The current spot rate is 1.15 AUD per USD, and it is forecasted that the Australian Dollar (AUD) will appreciate by 4% against the US Dollar (USD). What will the expected spot rate be after one year?

- A. 1.20 AUD per USD
- B. 1.19 AUD per USD
- C. 1.25 AUD per USD
- D. 1.10 AUD per USD

Answer:

D is correct.

$S_0 = 1.15$ AUD per USD

Forecast: AUD $\uparrow$ by 4% against USD

Therefore, $E(S_1) = 1.15/1.04$
 $= 1.10$ AUD per USD

Question 15:

The current spot rate is 1.25 EUR per GBP, and it is forecasted that the Euro will depreciate by 4% against the British Pound. What will the expected spot rate be after one year?

- A. 1.19 EUR per GBP
- B. 1.23 EUR per GBP
- C. 1.28 EUR per GBP
- D. 1.30 EUR per GBP

Answer:

D is correct.

$$S_0 = 1.25 \text{ EUR per GBP}$$

Forecast: EUR ↓ by 4% against £

$$\begin{aligned} E(S_1) &= 1.25/0.96 \\ &= 1.30 \text{ EUR Per GBP} \end{aligned}$$

Question 16:

The current spot rate is 0.85 EUR per USD, and it is forecasted that the US Dollar will appreciate by 4% against the Euro. What will the expected spot rate be after one year?

- A. 0.80 EUR per USD
- B. 0.81 EUR per USD
- C. 0.88 EUR per USD
- D. 0.87 EUR per USD

Answer:

C is correct.

Given Data:

- Current Spot Rate (EUR per USD) = 0.85
- Appreciation Rate of USD = 4% or 0.04

Formula:

$$\text{Expected Spot Rate} = \frac{\text{Current Spot Rate}}{1 - \text{Appreciation Rate}}$$

Calculation:

$$\begin{aligned} \text{Expected Spot Rate} &= \frac{0.85}{1 - 0.04} \\ \text{Expected Spot Rate} &= \frac{0.85}{0.96} = 0.8854 \approx 0.88 \text{ EUR per USD} \end{aligned}$$

Question 17:

The current spot rate is 1.35 USD per JPY, and it is forecasted that the Japanese Yen (JPY) will appreciate by 4% against the US Dollar (USD). What will the expected spot rate be after one year?

- A. 1.40 USD per JPY
- B. 1.30 USD per JPY
- C. 1.29 USD per JPY
- D. 1.25 USD per JPY

Answer:

A is correct.

$$S_0 = 1.35 \text{ USD per JPY}$$

Forecast: JPY $\uparrow$ by 4% against USD

$$\begin{aligned} E(S_1) &= 1.35 \times 1.04 \\ &= 1.40 \text{ USD per JPY} \end{aligned}$$

Question 18:

The current spot rate is 0.78 EUR per USD, and it is forecasted that the US Dollar will depreciate by 5% against the Euro. What will the expected spot rate be after one year?

- A. 0.79 EUR per USD
- B. 0.74 EUR per USD
- C. 0.81 EUR per USD
- D. 0.83 EUR per USD

Answer:

B is correct.

$S_0 = 0.78$ EUR per USD

Forecast: USD ↓ by 5% against EUR

$$\begin{aligned} E(S_1) &= 0.78 \times 0.95 \\ &= 0.74 \text{ EUR per USD} \end{aligned}$$

Question 19:

The current spot rate is 1.25 USD per CAD, and it is forecasted that the Canadian Dollar (CAD) will appreciate by 6% against the US Dollar (USD). What will the expected spot rate be after one year?

- A. 1.20 USD per CAD
- B. 1.10 USD per CAD
- C. 1.32 USD per CAD
- D. 1.18 USD per CAD

Answer:

C is correct.

$S_0 = 1.25$ USD per CAD

Forecast: CAD ↑ by 6% against USD

$$\begin{aligned} E(S_1) &= 1.25 \times 1.06 \\ &= 1.32 \text{ USD per CAD} \end{aligned}$$