

FOREX CLASS 2

CLASS WORK COVERAGE

To streamline our learning process, I've categorized the questions we'll tackle in class into four distinct groups:

1. **Classic:** *These questions are exactly as presented in your book, providing a familiar foundation.*
2. **Transformed:** *Here, we've converted book questions into multiple-choice format to enhance your analytical skills.*
3. **Adapted:** *These are similar to book questions but with altered numbers or names, presented as multiple-choice questions for varied practice.*
4. **Original:** *These are entirely new questions not found in your book, designed to challenge and expand your understanding.*

This structure will help us navigate through a range of problems, ensuring a comprehensive grasp of the material. Looking forward to our next session!

Q. No	Type	Book	Page No.	Q No.
1 to 19	Original	-	-	-

Question 1:

If the US dollar appreciates by 10% against the Japanese yen, by what percentage would the Japanese yen depreciate against the US dollar? Assume the exchange rate changes are measured as relative changes and initial exchange rate of 1 USD = 100 JPY.

- A. 9.09%
- B. 10%
- C. 11.11%
- D. 8.33%

Answer:

A is correct.

When the US dollar appreciates by 10%, it means that the exchange rate increases by 10%.

Let the initial exchange rate be **1 USD = 100 JPY**.

After the 10% appreciation:

$$\text{New exchange rate} = 100 \times (1 + 0.10) = 110 \text{ JPY per USD.}$$

The depreciation of the yen is calculated as the percentage decrease in the value of the yen against the dollar. This can be expressed as:

$$\text{Percentage depreciation of yen} = \frac{\text{Old rate} - \text{New rate}}{\text{New rate}} \times 100$$

Substitute the values:

$$\text{Percentage depreciation of yen} = \frac{110 - 100}{110} \times 100 = \frac{10}{110} \times 100 = 9.09\%.$$

Question 2:

If the Euro depreciates by 20% against the British Pound, by what percentage does the British Pound appreciate against the Euro? Assume the initial exchange rate is 1 EUR = 0.80 GBP.

- A. 20%
- B. 16.67%
- C. 22.22%
- D. 25%

Answer:

D is correct.

When the Euro depreciates by 20%, the exchange rate decreases by 20%.

Let the initial exchange rate be **1 EUR = 0.80 GBP**.

After the 20% depreciation:

$$\text{New exchange rate} = 0.80 \times (1 - 0.20) = 0.64 \text{ GBP per EUR.}$$

The appreciation of the British Pound is calculated as the percentage increase in the value of the Pound against the Euro. This can be expressed as:

$$\text{Percentage appreciation of GBP} = \frac{\text{Old rate} - \text{New rate}}{\text{New rate}} \times 100$$

Substitute the values:

$$\text{Percentage appreciation of GBP} = \frac{0.80 - 0.64}{0.64} \times 100 = \frac{0.16}{0.64} \times 100 = 25\%.$$

Question 3:

If the Canadian Dollar (CAD) appreciates by 15% against the Indian Rupee (INR), by what percentage would the Indian Rupee depreciate against the Canadian Dollar? Assume the initial exchange rate is 1 CAD = 60 INR.

- A. 13.04%
- B. 15%
- C. 17.65%
- D. 12.5%

Answer:

A is correct.

When the Canadian Dollar appreciates by 15%, the exchange rate increases by 15%.

Let the initial exchange rate be **1 CAD = 60 INR**.

After the 15% appreciation:

$$\text{New exchange rate} = 60 \times (1 + 0.15) = 69 \text{ INR per CAD.}$$

The depreciation of the Indian Rupee is calculated as the percentage decrease in the value of the Rupee against the Canadian Dollar. This can be expressed as:

$$\text{Percentage depreciation of INR} = \frac{\text{New rate} - \text{Old rate}}{\text{New rate}} \times 100$$

Substitute the values:

$$\text{Percentage depreciation of INR} = \frac{69 - 60}{69} \times 100 = \frac{9}{69} \times 100 \approx 13.04\%.$$

Question 4:

If the Swiss Franc (CHF) depreciates by 25% against the US Dollar (USD), by what percentage would the US Dollar appreciate against the Swiss Franc? Assume the initial exchange rate is 1 USD = 1.20 CHF.

- A. 25%
- B. 33.33%
- C. 20%
- D. 30%

Answer:

B is correct.

When the Swiss Franc depreciates by 25%, the exchange rate decreases by 25%.

Let the initial exchange rate be **1 USD = 1.20 CHF**.

After the 25% depreciation:

$$\text{New exchange rate} = 1.20 \times (1 - 0.25) = 0.90 \text{ CHF per USD.}$$

The appreciation of the US Dollar is calculated as the percentage increase in the value of the USD against the Swiss Franc. This can be expressed as:

$$\text{Percentage appreciation of USD} = \frac{\text{Old rate} - \text{New rate}}{\text{New rate}} \times 100$$

Substitute the values:

$$\text{Percentage appreciation of USD} = \frac{1.20 - 0.90}{0.90} \times 100 = \frac{0.30}{0.90} \times 100 = 33.33\%.$$

Question 5:

The current spot rate is ₹84 per USD, and the expected spot rate after one year is ₹87.5 per USD. What is the expected appreciation of the USD against the INR?

- A. 4.17%
- B. 4.50%
- C. 3.85%
- D. 5.00%

Answer:

A is correct.

Given Data:

- Current Spot Rate (₹ per USD) = 84
- Expected Spot Rate (₹ per USD) = 87.5

Formula:

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

Calculation:

$$\begin{aligned}\text{Expected Appreciation (\%)} &= \frac{87.5 - 84}{84} \times 100 \\ \text{Expected Appreciation (\%)} &= \frac{3.5}{84} \times 100 = 4.17\%\end{aligned}$$

Question 6:

The current spot rate is USD per GBP = 1.3450, and the expected spot rate after one year is USD per GBP = 1.2970. What is the expected appreciation of the USD against the GBP?

- A. 4.00%
- B. 3.45%
- C. 4.25%
- D. 3.70%

Answer:

D is correct.

Given Data:

- Current Spot Rate (USD per GBP) = 1.3450
- Expected Spot Rate (USD per GBP) = 1.2970

Formula:

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

Calculation:

$$\text{Expected Appreciation (\%)} = \frac{1.3450 - 1.2970}{1.2970} \times 100$$

$$\text{Expected Appreciation (\%)} = \frac{0.0480}{1.2970} \times 100 = 3.70\%$$

Question 7:

The current spot rate is EUR per USD = 0.8900, and the expected spot rate after one year is EUR per USD = 0.8450. What is the expected appreciation of the EUR against the USD?

- A. 5.62%
- B. 5.15%
- C. 5.33%
- D. 5.00%

Answer:

C is correct.

Given Data:

- Current Spot Rate (EUR per USD) = 0.8900
- Expected Spot Rate (EUR per USD) = 0.8450

Formula:

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

Calculation:

$$\text{Expected Appreciation (\%)} = \frac{0.8900 - 0.8450}{0.8450} \times 100$$

$$\text{Expected Appreciation (\%)} = \frac{0.0450}{0.8450} \times 100 = 5.33\%$$

Question 8:

The current spot rate is JPY per USD = 110.50, and the expected spot rate after one year is JPY per USD = 115.00. What is the expected appreciation of the USD against the JPY?

- A. 4.07%
- B. 3.95%
- C. 4.20%
- D. 4.50%

Answer:

A is correct.

Given Data:

- Current Spot Rate (JPY per USD) = 110.50
- Expected Spot Rate (JPY per USD) = 115.00

Formula:

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

Calculation:

$$\text{Expected Appreciation (\%)} = \frac{115.00 - 110.50}{110.50} \times 100$$

$$\text{Expected Appreciation (\%)} = \frac{4.50}{110.50} \times 100 = 4.07\%$$

Question 9:

The current spot rate is ₹80 per USD, and it is forecasted that the USD will appreciate by 5% against the Rupee. What will the expected spot rate be after one year?

- A. ₹83
- B. ₹84
- C. ₹85
- D. ₹82

Answer:

B is correct.

Given Data:

- Current Spot Rate (₹ per USD) = 80
- Appreciation Rate of USD = 5% or 0.05

Formula:

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

Calculation:

$$\text{Expected Spot Rate} = 80 \times (1 + 0.05)$$

$$\text{Expected Spot Rate} = 80 \times 1.05 = 84$$

Question 10:

The current spot rate is **₹74 per USD**, and it is forecasted that the **Rupee will depreciate by 6% against the USD**. What will the expected spot rate be after one year?

- A. ₹79.90
- B. ₹78.50
- C. ₹78.72
- D. ₹79.00

Answer:

C is correct.

Given Data:

- Current Spot Rate (₹ per USD) = 74
- Depreciation Rate of Rupee = 6% or 0.06

Formula:

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

Calculation:

$$\begin{aligned}\text{Expected Spot Rate} &= \frac{74}{1 - 0.06} \\ \text{Expected Spot Rate} &= \frac{74}{0.94} = 78.72\end{aligned}$$

Question 11:

The current spot rate is ₹88 per USD, and it is forecasted that the Rupee will depreciate by 8% against the USD. What will the expected spot rate be after one year?

- A. ₹93.65
- B. ₹96.00
- C. ₹95.65
- D. ₹94.50

Answer:

C is correct.

Given Data:

- Current Spot Rate (₹ per USD) = 88
- Depreciation Rate of Rupee = 8% or 0.08

Formula:

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

Calculation:

$$\begin{aligned}\text{Expected Spot Rate} &= \frac{88}{1 - 0.08} \\ \text{Expected Spot Rate} &= \frac{88}{0.92} = 95.65\end{aligned}$$

Question 12:

The current spot rate is 1.12 EUR per GBP, and it is forecasted that the Euro will depreciate by 10% against the British Pound. What will the expected spot rate be after one year?

- A. 1.20 EUR per GBP
- B. 1.23 EUR per GBP
- C. 1.25 EUR per GBP
- D. 1.24 EUR per GBP

Answer:

D is correct.

Given Data:

- Current Spot Rate (EUR per GBP) = 1.12
- Depreciation Rate of Euro = 10% or 0.10

Formula:

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

Calculation:

$$\begin{aligned}\text{Expected Spot Rate} &= \frac{1.12}{1 - 0.10} \\ \text{Expected Spot Rate} &= \frac{1.12}{0.90} = 1.24\end{aligned}$$

Question 13:

The current spot rate is 1.30 USD per GBP, and it is forecasted that the USD will appreciate by 10% against the British Pound. What will the expected spot rate be after one year?

- A. 1.43 USD per GBP
- B. 1.18 USD per GBP
- C. 1.17 USD per GBP
- D. 1.22 USD per GBP

Answer:

A is correct.

Given Data:

- Current Spot Rate (USD per GBP) = 1.30
- Appreciation Rate of USD = 10% or 0.10

Formula:

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

Calculation:

$$\text{Expected Spot Rate} = 1.30 \times (1 + 0.10)$$

$$\text{Expected Spot Rate} = 1.30 \times 1.10 = 1.43$$

Question 14:

The current spot rate is 0.92 EUR per CHF, and it is forecasted that the Euro will appreciate by 5% against the Swiss Franc. What will the expected spot rate be after one year?

- A. 0.88 EUR per CHF
- B. 0.95 EUR per CHF
- C. 0.97 EUR per CHF
- D. 0.85 EUR per CHF

Answer:

A is correct.

Given Data:

- Current Spot Rate (EUR per CHF) = 0.92
- Appreciation Rate of Euro = 5% or 0.05

Formula:

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

Calculation:

$$\begin{aligned}\text{Expected Spot Rate} &= 0.92 / (1 + 0.05) \\ &= 0.8762\end{aligned}$$

Question 15:

The current spot rate is 1.10 AUD per NZD, and it is forecasted that the Australian Dollar (AUD) will depreciate by 5% against the New Zealand Dollar (NZD). What will the expected spot rate be after one year?

- A. 1.16 AUD per NZD
- B. 1.15 AUD per NZD
- C. 1.05 AUD per NZD
- D. 1.11 AUD per NZD

Answer:

B is correct.

Given Data:

- Current Spot Rate (AUD per NZD) = 1.10
- Depreciation Rate of AUD = 5% or 0.05

Formula:

$$\text{Expected Spot Rate} = \text{Current Spot Rate} \div (1 - \text{Depreciation Rate})$$

Calculation:

$$\begin{aligned}\text{Expected Spot Rate} &= \frac{1.10}{1 - 0.05} \\ \text{Expected Spot Rate} &= \frac{1.10}{0.95} = 1.1579\end{aligned}$$

Question 16:

The current spot rate is GBP 0.7450 per USD, and it is forecasted that the USD will depreciate by 7% against the British Pound. What will the expected spot rate be after one year?

- A. GBP 0.6905 per USD
- B. GBP 0.8000 per USD
- C. GBP 0.7982 per USD
- D. GBP 0.6929 per USD

Answer:

D is correct.

Given Data:

- Current Spot Rate (GBP per USD) = 0.7450
- Depreciation Rate of USD = 7% or 0.07

Formula:

$$\text{Expected Spot Rate} = \text{Current Spot Rate} \times (1 - \text{Depreciation Rate})$$

Calculation:

$$\begin{aligned}\text{Expected Spot Rate} &= 0.7450 \times (1 - 0.07) \\ &= 0.6929\end{aligned}$$

Question 17:

The current spot rate is CAD 1.2500 per USD, and it is forecasted that the USD will depreciate by 5% against the Canadian Dollar (CAD). What will the expected spot rate be after one year?

- A. CAD 1.3125 per USD
- B. CAD 1.1875 per USD
- C. CAD 1.2000 per USD
- D. CAD 1.2250 per USD

Answer:

B is correct.

Given Data:

- Current Spot Rate (CAD per USD) = 1.2500
- Depreciation Rate of USD = 5% or 0.05

Formula:

$$\text{Expected Spot Rate} = \text{Current Spot Rate} \times (1 - \text{Depreciation Rate})$$

Calculation:

$$\text{Expected Spot Rate} = 1.2500 \times (1 - 0.05)$$

$$\text{Expected Spot Rate} = 1.2500 \times 0.95 = 1.1875$$

Question 18:

The current spot rate is CHF 2.6970 per GBP, and it is forecasted that the GBP will appreciate by 8% against the Swiss Franc (CHF). What will the expected spot rate be after one year?

- A. CHF 2.9130 per GBP
- B. CHF 2.5000 per GBP
- C. CHF 2.9128 per GBP
- D. CHF 2.9120 per GBP

Answer:

C is correct.

Given Data:

- Current Spot Rate (CHF per GBP) = 2.6970
- Appreciation Rate of GBP = 8% or 0.08

Formula:

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

Calculation:

$$\text{Expected Spot Rate} = 2.6970 \times (1 + 0.08)$$

$$\text{Expected Spot Rate} = 2.6970 \times 1.08 = 2.9128$$

Question 19:

The current spot rate is JPY 150.75 per EUR, and it is forecasted that the EUR will appreciate by 10% against the Japanese Yen (JPY). What will the expected spot rate be after one year?

- A. JPY 165.83 per EUR
- B. JPY 158.50 per EUR
- C. JPY 165.75 per EUR
- D. JPY 163.83 per EUR

Answer:

A is correct.

Given Data:

- Current Spot Rate (JPY per EUR) = 150.75
- Appreciation Rate of EUR = 10% or 0.10

Formula:

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

Calculation:

$$\text{Expected Spot Rate} = 150.75 \times (1 + 0.10)$$

$$\text{Expected Spot Rate} = 150.75 \times 1.10 = 165.83$$