

FOREX CLASS 10

Page No. 108

Date 25, 02, 25

Q1. Price of bond @ beg USD 100 > 3
 @ end USD 103 +
 CR @ 3% payable annually = $\frac{3}{6} \times 100 = 6\%$ (Ans)
 i) If USD is flat $\Rightarrow \frac{6}{100} \times 100 = 6\%$ (Ans)

$$i) R_{FC} = \frac{\text{Coupon} + \text{Price change}}{\text{Initial Price}} \times 100$$

$$= \frac{3 + (103 - 100)}{100} \times 100 = 6\% \text{ in } \$$$

$$R_{FX} = 0 \text{ (because Exchange rate is not changing)}$$

$$\therefore R_{DC} = R_{FC} = 6\% \text{ (Ans)}$$

ii) If USD $\uparrow$ by 3%

$$R_{FC} = 6\%$$

$$R_{FX} = 3\%$$

$$\therefore R_{DC} = 6 + 3 + 3\% \text{ of } 6 \text{ or } (1.06)(1.03) - 1$$

$$= 9.18\% \text{ (Ans)}$$

iii) USD $\downarrow$ by 3%

$$\Rightarrow (1.06 \times 0.97) - 1$$

$$= 2.82\% \text{ (Ans)}$$

iv) £ $\uparrow$ by 5%

$$\Rightarrow (1.06 \times 0.95) - 1 \rightarrow \text{This is wrong ans but if}$$

$$= 0.7\% \text{ (Ans) Institute done in this}$$

$$\text{Correct ans} \rightarrow \text{£} 5\% \uparrow \frac{\$5}{105} \times 100 = 4.76\% \downarrow$$

Don't do it in Exam

Q2) $\sqrt[1.06 \times 0.9524]{1} - 1 = 0.9544\%$ (but CA Institute does not ~~correct~~ accept this answer)

↓

but MCQ me increase aa gya or long one diya then chose correct one.

v) ~~Are~~ Are diff if invest just before int payable —
↓
No ans will not differ ~~same~~ ~~we have received~~

Q2. British(*) is HC
I invested in \$ $\therefore$ \$ ↓ risk
Spot £ 0.625/\$
1M Forward £ 0.620/\$

30L \$ × 70% = 21 lakh (hedged)

↓ 1M

\$30,45,000

→ \$ ↑ good news

Spot £ 0.649/\$ (dikh hoga k kya hedge kiye
hoge hedge karne se 0.620 pe \$ bechega otherwise
0.649 pe bechta so kam pe bech rha hai)

a) Step 1: Beginning value = $30,00,000 \times 0.625$
= £ 18,75,000

Step 2: Ending value = $30,45,000 \times 0.649$
= £ 19,76,205

$$\text{Step 3: Return} = \left(\frac{\text{Ending Value}}{\text{Beg Value}} - 1 \right) \times 100$$

$$= \left(\frac{1976205}{1875000} - 1 \right) \times 100$$

$$= 5.3976\% \text{ (Ans)}$$

b) Step 1: Beginning Value = $30,00,000 \times 0.625$
 $= 1875000$

Step 2: Ending Value = $21,00,000 \times 0.620$
 $+ 945,000 \times 0.649$
 $= 19,15,305$

Step 3: Return = $\left[\frac{EV}{BV} - 1 \right] \times 100$

$$= \left[\frac{1915305}{1875000} - 1 \right] \times 100$$

$$= 2.1476\% \text{ (Ans)}$$

Q3.

Italian w holding US stock $\rightarrow 2500,000 \$$

$\therefore$ US $\$ \downarrow$

Spot $\text{€ } 0.85 / \$$

1M F $\text{€ } 0.80 / \$$

$\downarrow$

$\text{€ } 0.75 / \$$

$\downarrow$
 $25,75,000.$

$$\text{Step 1: Beg Value} = 25,00,000 \times 0.85 \\ = 21,25,000$$

$$\text{Step 2: End Value} = 25,00,000 \times 0.80 + 75,000 \times 0.75 \\ = 20,56,250$$

$$\text{Step 3: Return} = \left[\frac{\text{EV}}{\text{BV}} - 1 \right] \times 100 \quad \begin{array}{l} 21,25,000 - 20,56,250 \\ 21,25,000 \end{array} \quad \begin{array}{l} \text{loss} \\ \text{Ans} \end{array}$$

$$= \left[\frac{20,56,250}{21,25,000} - 1 \right] \times 100$$

$$= -3.235\% \text{ (Ans)}$$

Q4. FII invested in ^{Mfin} India for 1 yr
Investor is US.

$$\text{Beg Value} = \$1000\text{M}$$

$$\text{a) Step 1: Beg. Value} = \$1000\text{M}$$

$$\text{Step 2: EV}$$

$$\begin{array}{l} \frac{1000 \times 84.5}{20} \\ = 4225 \text{ units} \\ \times 23 \\ = 97175 \text{M} \end{array} \quad \begin{array}{l} 4225 \times 2.5 \\ = 10562.5 \text{ reinvested} \\ = 10562.5 (1.05) \\ = 11,090.625 \text{M} \end{array}$$

$$= 21,082.65625 \text{M}$$

$$\text{Convert to \$} = \frac{21,082.65625}{86.7} = \$1248.738 \text{M}$$

Step 3: Return = $\left[\frac{BV}{BV} - 1 \right] \times 100$

$$= \left[\frac{1248.738}{1000} - 1 \right] \times 100$$

$$= 24.87\% \text{ (Ans)}$$

b) Return for Indian Investor = $\frac{\text{FV of dividend} + \text{Price at } t_1}{\text{Initial Price}}$

$$= \frac{2.5(1.05) + 23.20}{20} \times 100$$

$$= 28.125\% \text{ (Ans)}$$