

FOREX CLASS 12

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.
33	Classic	CW Q BOOK	12
34	Classic	CW Q BOOK	13

PART II: REGULATORY STUFF

Topic 10 EARLY DELIVERY

Question 33: SSEI CW Book Page No.12

On 1 October 2019 Mr. X an exporter enters into a forward contract with a BNP Bank to sell US\$ 1,00,000 on 31 December 2019 at Rs. 70.40/\$ and bank simultaneously entered into a cover deal at Rs. 70.60/\$. However, due to the request of the importer, Mr. X received amount on 28 November 2019. Mr. X requested the bank the take delivery of the remittance on 30 November 2019 i.e. before due date. The inter-banking rates on 28 November 2019 were as follows:

Spot Rs. 70.22/70.27
 One Month Swap Points 15/10

If bank agrees to take early delivery, then determine the net inflow to Mr. X assuming that the prevailing prime lending rate is 10% and deposit rate is 5%.

Note:

- While exchange rates to be considered upto two decimal points the amount to be rounded off to Rupees i.e. no paisa shall be involved in computation of any amount.
- Assume 365 days a year.

(Source: ICAI)

ANSWER:

Bank will buy from customer at the agreed rate of Rs. 70.40. In addition to the same if bank will charge/ pay swap difference and interest on outlay/inlay in funds.

i. Swap Difference

Bank Sells at Spot Rate on 28th November 2019	Rs. 70.22
Bank Buys at Forward Rate of 31 December 2019 (70.27 - 0.10)	Rs. 70.17
Swap Gain per US\$	Rs. 00.05
Swap Gain for US\$ 1,00,000	Rs. 5,000

ii. Interest on Outlay Funds

On 28th November Bank sells at	Rs. 70.22
It buys from customer at	Rs. 70.40
Outlay of Funds per US\$	Rs. 00.18
Interest on Outlay fund for US\$ 1,00,000 for 31 days	Rs. 153.00

(US\$100000 x 00.18 x 31/365 x 10%)

iii. Gain on early delivery

Swap Gain	Rs. 5,000.00
Interest on Outlay fund for US\$ 1,00,000 for 31 days	(Rs. 153.00)
	Rs. 4,847.00

iv. Net Inflow to Mr. X

Amount received on sale (Rs. 70.40 x 1,00,000)	Rs. 70,40,000
Add: Gain on early delivery received by bank	Rs. 4,847
	Rs. 70,44,847

Question 34: SSEI CW Book Page No.13

On 19th January, Bank A entered into forward contract with a customer for a forward sale of US \$ 7,000, delivery 20th March at ₹ 46.67. On the same day, it covered its position by buying forward from the market due 19th March, at the rate of ₹ 46.655. On 19th February, the customer approaches the bank and requests for early delivery of US \$. Rates prevailing in the interbank markets on that date are as under:

Spot (₹/\$)	46.5725/5800
March	46.3550/3650

Interest on outflow of funds is 16% and on inflow of funds is 12%. Flat charges for early delivery are ₹ 100.

What is the amount that would be recovered from the customer on the transaction?

Note: Calculation should be made on months basis than on days basis.

(Source: ICAI)

ANSWER:

The bank would sell US \$ to its customer at the agreed rate under the contract. However, it would recover loss from the customer for early delivery.

On 19th February bank would buy US\$ 7000 from market and shall sell to customer. Further, Bank would enter into one month forward contract to sell the US \$ acquired under the cover deal.

i. Swap Difference

Bank sells at	₹ 46.3550
Bank buys at	₹ 46.5800
Swap loss per US \$	0.225
Swap loss for US \$ 7000	₹ 1,575

ii. Interest on Outlay of Funds

On 19th February, Bank sell to customer	₹ 46.67
It buys from spot Market	₹ 46.58
Inflow of funds per US \$	₹ 0.09

Inflow of funds for US \$ 7000 is ₹ 630

Interest on ₹ 630 at 12% for one month ₹ 6.30