FOREX CLASS 5
HOME WORK SUPPORT
COVERAGE

Question			Answer			Lecture Time
Q. No	Page no.	Book	Q. No	Page no.	Book	
3	2	HW Q BOOK	3	2	HW ANSWER BOOK	00:00:33 – 00:30:40
5	3	HW Q BOOK	5	4	HW ANSWER BOOK	00:30:41 – 00:41:58
6	4	HW Q BOOK	6	4	HW ANSWER BOOK	00:41:59 – 00:47:45

Question 3: SSEI HW Q BOOK PAGE 2

On January 28, 2017 an importer customer requested a Bank to remit Singapore Dollar(SGD) 2,500,000 under an irrevocable Letter of Credit (LC). However, due to unavoidable factors, the Bank could effect the remittances only on February 4, 201 7. The inter-bank market rates were as follows:

	January 28, 2017	February 4, 2017
US$ 1	₹ 45.85/45.90	₹ 45.91/45.97
GBP £ 1	US$ 1.7840/1.7850	US$ 1.7765/1.7775
GBP £ 1	SGD 3.1575/3.1590	SGD 3. 1380/3.1390

The Bank wishes to retain an exchange margin of 0.125%

ANALYZE whether the customer stand to gain or lose due to the delay. (Note: Calculate the rate in multiples of 0.0001)

(Source: FOD)

Answer: SSEI HW ANS BOOK PAGE 2

On January 28, 2017 the importer customer requested to remit SGD 25 lakhs.

To consider sell rate for the bank:

US $ = ₹45.90

Pound 1 = US$ 1.7850

Pound 1 = SGD 3.1575

Therefore, SGD 1 = (₹ 45.90 × 1.7850)/ SGD 3.1575

SGD 1	₹25.9482
Add: Exchange margin (0.125%)	₹ 0.0324
	₹ 25.9806

On February 4, 2017 the rates are

US $ = ₹ 45.97

Pound 1 = US$ 1.7775

Pound 1 = SGD 3.1380

Therefore, SGD 1 = ₹ 45.97 × 1.7775/SGD 3.1380

SGD 1	₹ 26.0394
Add: Exchange margin (0.125%)	₹ 0.0325
	₹ 26.0719

Hence, loss to the importer

= SGD 25,00,000 (₹ 26.0719 – ₹ 25.9806) = ₹ 2,28,250

Question 5: SSEI HW Q BOOK PAGE 3

Your forex dealer had entered into a cross currency deal and had sold US \$ 10,00,000 against EURO at US \$ 1 = EURO 1.4400 for spot delivery.

However, later during the day, the market became volatile and the dealer in compliance with his management's guidelines had to square – up the position when the quotations were:

Spot US \$ 1	INR 31.4300/4500
1 month margin	25/20
2 months margin	45/35
Spot US \$ 1	EURO 1.4400/4450
1 month forward	1.4425/4490
2 months forward	1.4460/4530

What will be the gain or loss in the transaction?

(Source: ICAI)

Answer: SSEI HW ANS BOOK PAGE 4

The amount of EURO bought by selling US\$

US\$ 10,00,000 × EURO 1.4400	= EURO 14,40,000
The amount of EURO sold for buying USD 10,00,000 × 1.4450	= EURO 14,45,000
Net Loss in the Transaction	= EURO 5,000

To acquire EURO 5,000 from the market @

(a) USD 1 = EURO 1.4400 &

(b) USD1 = INR 31.4500

Cross Currency buying rate of EUR/INR is Rs. 31.4500 / 1.440 i.e. Rs. 21.8403

Loss in the Transaction Rs. 21.8403 × 5000 = Rs. 1,09,201.50

Alternatively, if delivery to be affected then computation of loss shall be as follows:

EURO to be surrendered to acquire \$ 10,00,000	= EURO 14,45,000
EURO to be received after selling \$ 10,00,000	= EURO 14,40,000
Loss	= EURO 5,000

To acquire EURO 5,000 from market @

US \$ 1 = EURO 1.4400

US \$ 1 = INR 31.45

Cross Currency = 31.45/ 1.440 = Rs. 21.8403

Loss in Transaction (21.8403 x EURO 5,000) = Rs. 1,09,201.50

Question 6: SSEI HW Q BOOK PAGE 4

An importer is due to pay the exporter on 28th January 2010, Singapore Dollars of 25,00,000 under an irrevocable letter of credit. It directed the bank to pay the amount on the due date.

Due to go-slow and strike procedures adopted by its staff, the bank was not in a position to remit the amount due. The amount was actually remitted on 4th February 2010.

On the transaction, the bank wants to retain an exchange margin of 0.125 per cent.

The following were the rates prevalent in the exchange market on the relevant dates:

	28th January	4th February
1 US $	₹ 45.85/45.90	₹ 45.91/45.97
1 £	$1.7840/1.7850	$1.7765/1.775
1 £	Sing $ 3.1575/3.1590	Sing $ 3.1380/3.1390

What is the effect on account of the delay in remittance? Calculate rate in multiples of .0001.

(Source: ICAI)

ANSWER: SSEI HW ANS BOOK PAGE 4

On January 28, 2010 the importer customer requested to remit SGD 25 lakhs.

To consider sell rate for the bank:

US $ = ₹ 45.90

Pound 1 = US$ 1.7850

Pound 1 = SGD 3.1575

Therefore, SGD 1 = $\frac{₹\ 45.90 * 1.7850}{\text{SGD } 3.1575}$

SGD 1 =	₹ 25.9482
Add: Exchange margin (0.125%)	₹ 0.0324
	₹ 25.9806

On February 4, 2010 the rates are

US $ = ₹ 45.97

Pound 1 = US$ 1.7775

Pound 1 = SGD 3.1380

Therefore, SGD 1 = $\frac{₹\ 45.97 * 1.7775}{\text{SGD } 3.1380}$

SGD 1 =	₹ 26.0394
Add: Exchange margin (0.125%)	₹ 0.0325
	₹ 26.0719

Thus, impact of strike on importer

= SGD 25,00,000 (₹26.0719 – ₹25.9806)

= ₹ 2,28,250 (Loss)