FOREX CLASS 3

Certain mechanical rules (common sense)

a) Many a times, ask rate is given incomplete and we have to infer by common sense.

Ex: ₹/$ 84.20/70

⇒ 84.20/84.70

Ex: ₹/€ 91.70/20

⇒ 91.70/92.20

Ex: ¥/$ 146.40/90

⇒ 146.40/146.90

Ex: ¥/£ 192.60/30

⇒ 192.60/193.30

Ex: $/£ 1.7320/50

⇒ 1.7320/1.7350

Ex: €/£ 1.5670/20

1.5670/1.5720

Ex: ₹/¥ 0.6730/50

⇒ 0.6730/0.6750

Ex: $/£ 1.0450/10

⇒ 1.0450 / 1.0510

b) Confusion about which currency is the "BC"

Style 1 [1B = A]

1 USD = GBP 0.6720 / 0.6750

"BC" → No confusion

Style 2 [A : B]

£ : € 1.4620 / 1.4670

This is the "BC" → No confusion

So, you copy the question as €/£ = 1.4620/1.467

Style 3 [/ Style] ⇒ Confusion

USD / INR 84.20 / 84.90

By common sense, "USD" is the BC

∴ ₹/$ 84.20 / 84.90

Ex: INR / GBP 102.30 / 102.90

Here, GBP is the "BC" by common sense.

₹/£ 102.30 / 102.90

So, there is a confusion when rates are "A/B" → we don't know which is the "BC".

Obs: So, when A/B given in the exam, what to do.... which currency is the "BC".

Step 1: Check whether both currencies are popular.

Hierarchy
GBP
USD or EURO
INR
JPY

Means Agar GBP & Euro ka rate diya hai .....
- vo rate agar 1 se jyada hai... to GBP is the "BC"
- vo rate agar 1 se kam hai....to Euro is the "BC".

Ex: JPY / Euro → 0.0060/0.0065
⇓
1 se kam hai
⋮
Isliye "Beta"
⇓
"JPY"

Step 2: Agar dono currency unpopular hai... ya fir \$ & € ke beech ka rate diya hai... To ?

Case I

BRL / DKK	1.8620/1.8650
USD / EURO	1.0450/1.0490
GBP / JPY	168.20/169.10

BC

Atleast one rate is "good".

Case II Saara faltu rates hai....

If the term "currency pair" is given .... upper wala

A/B ie. A is the BC

Case III Saara faltu rates hai & "currency pair" nahi likha hua hai.....

To rates agar symbols mein hai ($/₹, €/₹, ₹/¥) .... To niche wala is "BC"

Rates agar letters me hai (INR/USD, GBP/EUR, JPY/USD), ... To upper wala is the "BC".

For our purpose ————

A/B mein jab A is the "BC" → we call it "Google"

2nd CASE STUDY

	Spot	2 month forward
~~RS~~ Rs/US $	46.00/46.25	47.00/47.50

Exm sum

Q1. US $ ~~to~~ sell to get ₹25 lakh after 2 month?

₹ buy ⇒ $ sell

∴ bid rate 47

$$\therefore \frac{2500{,}000}{47} = \$53{,}191 \text{ (b)}$$

Q2. ₹ required to pay to obtain \$2,00,000 in spot market?

↓

\$ buy spot

∴ \$ 200,000 × ~~47.50~~ 46.25

= ₹92,50,000 (d)

"EEFC" →

Q3. Firm has \$69000 in current A/C. ROI is 10% p.a. Should firm encash the \$ now or after 2 months?

Alternative 1 : Encash now

Imp Ques

Sell Spot @ 46 = 69000 × 46
= 31,74,000

Int @ 10% p.a for 2 months = 52,900

Rs 32,26,900

Alternative 2 : Encash after 2 months

Encash ~~Sell~~ 2 month forward @ 47 = 69000 × 47
= Rs 32,43,000

(C). ∴ Encash later as forward proceeds exceed the opportunity gain.

Short cut for MCQs

Later 47-46 = ₹1 ka fayda ∴ 69000 \$ × 1 = 69000 Rs

~~Sell~~ Encash now = 69000 × 10% × $\frac{2}{12}$ = 52,900 ← compare

∴ Encash later.

SINGLE Q BASED MCQ

Q1. 1 USD = AUD 1.3500/20 → 1.3500 / 1.3520

AUS Exporter exports USD 80,000. AUD will be receivable on conversion?
Exporter ka usko hath me U$ 80,000 → bank ke pas leke gye

∴ 80,000 × 1.35 = AUD 1,08,000 (C)

Q2. 1 INR = JPY 1.5200 / 1.5300

Indian firm surplus funds of INR 6 lakh. Decides to invest in Japan. JPY?

∴ 600,000 × 1.5200 = JPY 912000 (a)

Q3. 1 USD = JPY 110.00 / 110.50

US firm imports goods from Japan JPY 22,100,000. USD required to settle pay? ¥ buy, $ sell

$$\therefore \frac{22,100,000}{110} = 2,00,909.09 \text{ USD (b)}$$

Q4. 1 AUD = USD 0.7000 / 50 → 0.7000 / 0.7050
US Exporter exports goods AUD 100,000. USD?

∴ 100000 × 0.7000 = 70,000 USD (b)

Q5. 1 EUR = CHF 1.0800/50 ⇒ 1.0800 / 1.0850

European firm has fund of €500,000 & decide to invest in Switzerland. CHF ?

∴ 500,000 × 1.0800
= CHF 540,000 (d)

Q6. 1CAD = MXN 14.2750/90 ⇒ 14.2780 / 14.2790

Canadian firm imports goods from Mexico worth MXN 142,750. CAD? MXN buy, CAD sell

∴ $\frac{142750}{14.2750}$ = 10,000 CAD (c)

Q7. CAD firm import goods from UK for CAD 250,000.
1GBP = CAD 1.7720/90 ⇒ 1.7720 / 1.7790
GBP will UK firm receive upon conversion ?
CAD sell, GBP purchase

∴ $\frac{250,000}{1.7790}$

= 140528.39 GBP (a)

~~Q8. Bank of Tokyo, Japan wants to purchase~~ a

Q9. BRL firm wants to invest fund BRL 5 lakh in CHF. 1CHF = 6.8460/10. CHF?
→ 6.8460 / 6.8510

BRL sell CHF buy ∴ $\frac{500,000}{6.8510}$ = 72,982.05 (b)

Q11. Chinese firm decides to acq danish firm where PC in cash is @ DKK 625 million. 1DKK = CNY 1.0280/20.
cost in CNY? → 1.0280/1.0320

∴ 625 million × 1.0320

= CNY 645,000,000 (d).

Q10. Canadian firm decides to acq AUS co. for PC AUD 600 million. 1 AUD = CAD 0.9600/0.9650.
600 × 0.9650 = CAD 579m

However, there was 10 day delay - ER changed to

1 CAD = AUD 1.040/1.045 → $\frac{600}{1.040}$ = 576.92
Impact?
2.08 m.

(c) Profit of CAD 2.08 million

600 × 0.9650 = CAD 579m
$\frac{600}{1.040}$ = 576.92
Profit = 2.08M

Imp Exm sum
~~Q8.~~ Indian client needs BRL. So ICICI bank ke pass BRL ka a/c hona chaiye ⇒ Nostro A/C / Vostro A/C / Lozo A/C
ICICI bank ka NY me \$ A/C hai, UK me £ A/C hai
Vlog ka A/C apne pass
Say JPM ka A/C SBI me hai
~~i.e. nostro a/c hai~~

Dont read Nostro A/C of this type of sum.

Bank of Tokyo japan wants to pur ₹10m against € for
1 € = ₹ 85.7525/85.7600
$\frac{10,000,000}{85.7525}$ = 1,16,614.68 (c)