

Certain mechanical rules (Common sense)

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

Ex: $\text{£}/\text{\$}$ 84.20/70

$$\Rightarrow 84.20/84.70$$

Ex: $\text{£}/\text{€}$ 91.70/20

$$\Rightarrow 91.70/92.20$$

Ex: $\text{¥}/\text{\$}$ 146.40/90

$$\Rightarrow 146.40/146.90$$

Ex: $\text{¥}/\text{£}$ 192.60/30

$$\Rightarrow 192.60/193.30$$

Ex: $\text{\$/£}$ 1.7320/50

$$\Rightarrow 1.7320/1.7350$$

Ex: $\text{€}/\text{£}$ 1.5670/20

$$\Rightarrow 1.5670/1.5720$$

Ex: $\text{£}/\text{¥}$ 0.6730/50

$$\Rightarrow 0.6730/0.6750$$

Ex: $\$/\pounds$ 1.0450/1.0510

$\Rightarrow$ 1.0450/1.0510

b) Confusion about which currency is the "BC"

Style 1 [B = A]

1 USD = GBP 0.6720/0.6750

"BC" $\rightarrow$ No confusion

Style 2

[A : B]

$\pounds : \text{€}$ 1.4620/1.4670

This is the "BC" $\rightarrow$ No confusion

So, you copy the question as $\text{€}/\pounds = 1.4620/1.4670$

Style 3 [1 style] $\Rightarrow$ Confusion

USD/INR 84.20/84.90

By common sense, "USD" is the BC

$\therefore \pounds/\$$ 84.20/84.90

Ex:

INR/(GBP) 102.30/102.90

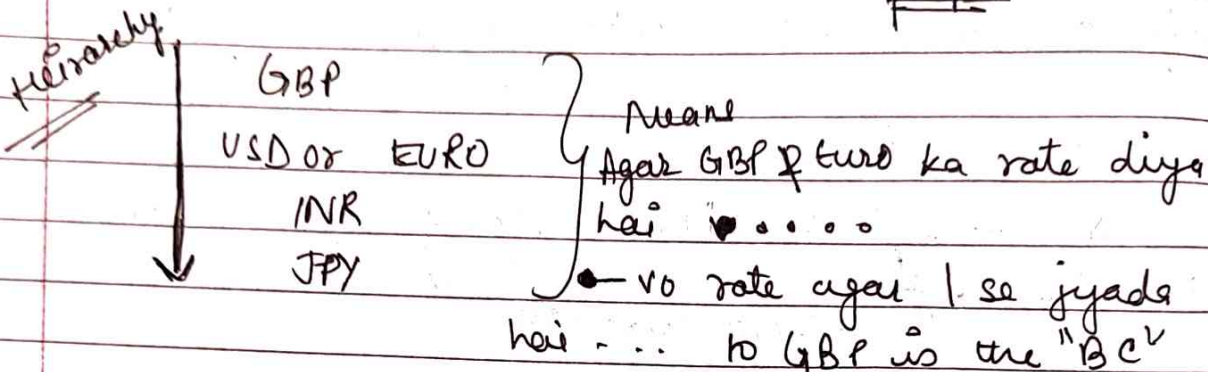
Here, GBP is the "BC" by common sense.

$\pounds/\pounds$ 102.30/102.90

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

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

Step 1: Check whether both currencies are popular.



• No rate agar 1 se kam hai ... to Euro is the "BC".

Ex: JPY / Euro → 0.0060 / 0.0065

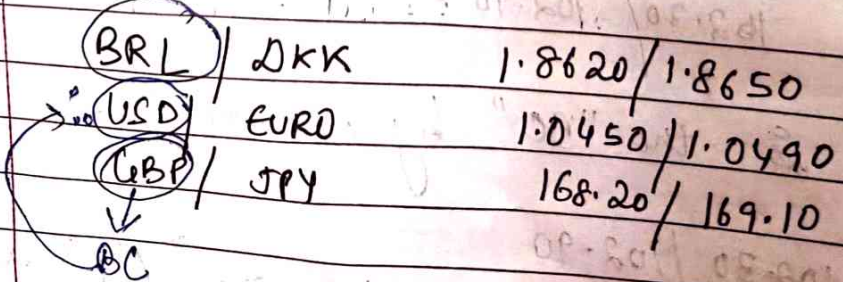
1 se kam hai

Isliye "Beta"

"JPY"

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

Case I



Atleast one rate is "good".

Case II Saara faltu rates hai.....

If the term "currency pair" is given upper wala

(A/B) i.e. A is the BC

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

To rates agar symbols mein hai ($\$/\text{₹}$, $\text{€}/\text{₹}$, $\text{₹}/\text{₹}$)
..... 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" $\rightarrow$ we call it "Google"

2nd CASE STUDY

	Spot	2 month forward
RS ₹/US\$	46.50 / 46.25	47.50 / 47.50

Exm^{50m}

Q1. US\$ $\rightarrow$ sell to get ₹25 lakh after 2 months?

$\rightarrow$ buy $\Rightarrow$ \$ sell

so bid rate 47

$$\therefore \frac{25,00,000}{47} = \$53,191 \text{ (b)}$$

Q2. I required to ^{pay to} obtain \$2,00,000 in spot market?

\$ buy spot

$$\therefore \$200,000 \times 46.25 \\ = \$92,50,000 \text{ (d)}$$

"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

long & short
Date

$$\text{Sell Spot @ 46} = 69000 \times 46$$

$$= 31,74,000$$

$$\text{Int @ 10\% p.a for 2 months} = 52,900$$

$$\text{Rs } 32,26,900$$

Alternative 2 : Encash after 2 months

Encash

$$\text{2 month forward @ 47} = 69000 \times 47 \\ = \text{Rs } 32,43,000$$

(C) $\therefore$ Encash later as forward proceeds exceed the opportunity gain.

Short cut

for MOS

$$\text{Later } 47 - 46 = 1 \text{ ka fayda} \therefore 69000 \$ \times 1 = 69000 \text{ Rs}$$

$$\text{but Encash now} = 69000 \times 10\% \times \frac{2}{12} = 52,900 \text{ } \leftarrow \text{compare}$$

$\therefore$ Encash later

SINGLE & BASED MCQ

Q1. $1 \text{ USD} = \text{AUD } 1.3500 / 20 \Rightarrow 1.3500 / 1.3520$

AUS Exporter exports USD 80,000. AUD will be receivable on conversion?
 I am with me US\$ 80,000 $\rightarrow$ bank to pay like you

$\therefore 80,000 \times 1.35 = \text{AUD } 1,08,000 \text{ (C)}$

Q2. $1 \text{ INR} = \text{JPY } 1.5200 / 1.5300$

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

$\therefore 600,000 \times 1.5200 = \text{JPY } 912,000 \text{ (a)}$

Q3. $1 \text{ USD} = \text{JPY } 110.60 / 110.50$

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

$\therefore \frac{22,100,000}{110} = 200,909.09 \text{ USD (b)}$

Q4. $1 \text{ AUD} = \text{USD } 0.7000 / 50 \Rightarrow 0.7000 / 0.7050$

US Exporter exports goods AUD 100,000. USD?

$\therefore 100,000 \times 0.7000 = 70,000 \text{ USD (b)}$

Q5. $1 \text{ EUR} = \text{CHF } 1.0800 / 50 \rightarrow 1.0800 / 1.0850$

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

$$\begin{aligned} & \therefore 500,000 \times 1.0800 \\ & = \text{CHF } 540,000 \quad (d) \end{aligned}$$

Q6. $1 \text{ CAD} = \text{MXN } 14.2750 / 90 \rightarrow 14.2750 / 14.2790$

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

$$\begin{aligned} & \therefore \frac{142,750}{14.2750} = 10,000 \text{ CAD } (c) \end{aligned}$$

Q7. CAD firm import goods from UK for CAD 250,000.

$$1 \text{ GBP} = \text{CAD } 1.7720 / 90 \rightarrow 1.7720 / 1.7790$$

GBP will UK firm receive upon conversion & CAD sell, GBP pur.

$$\begin{aligned} & \therefore \frac{250,000}{1.7790} \end{aligned}$$

$$= 140,581.39 \text{ GBP } (a)$$

Q8. Bank of Tokyo, Japan wants to purchase &

Q9. BRL firm wants to invest fund BRL 5 lakh in CHF. $1 \text{ CHF} = 6.8460 / 10$. CHF?

$$\rightarrow 6.8460 / 6.8510$$

$$\begin{aligned} & \text{BRL sell} \\ & \text{CHF buy} \\ & \therefore \frac{5,00,000}{6.8510} = 72,982.05 \quad (b) \end{aligned}$$

Q10. Chinese firm decides to acq Danish firm ^{in cash} where PC is @ DKK 625 million. $1 \text{ DKK} = \text{CNY } 1.0280/20$.
Cost in CNY? $\Rightarrow 1.0280/1.0320$

$$6. \quad \underline{625 \text{ million} \times 1.0320}$$

$$= \text{CNY } 645,000,000 \text{ (d)}$$

Q10. Canadian firm decides to acq AUS Co. for PC AUD 600 million. $1 \text{ AUD} = \text{CAD } 0.9660/0.9650$.
 $600 \times 0.9650 = \text{CAD } 579 \text{m}$

However, there was 10 day delay - ER changed to

$$1 \text{ CAD} = \text{AUD } 1.040/1.045 \rightarrow \frac{600 \times 0.9650}{1.040} = 576.92$$

Impact? $\underline{2.08 \text{ m}}$

(C) Profit of CAD 2.08 million

$$\left[\begin{array}{l} 600 \times 0.9650 = \text{CAD } 579 \text{m} \\ \frac{600}{1.040} = 576.92 \\ \text{Profit} = 2.08 \text{m} \end{array} \right.$$

Q8. ^{only Exam sum}

Indian client needs BRL. So ICICI bank ke pass BRL ka a/c hona chahiye $\Rightarrow$ Nostro A/C / Vostro A/C / Loro A/C

Dont read Nostro A/C in this type of.

ICICI bank ke Nostro ka A/C apne pass hai
\$ A/C hai usme
* A/C hai usme
Say JPM ka A/C SBIME hai
* uske Nostro a/c hai

Bank of Tokyo Japan wants to put \$10m against £ for
 $1 \text{ £} = \text{₹ } 85.7525/85.7600$
 $\frac{10,000,000}{1.85.7525} = 1,16,614.68 \text{ (c)}$