CA FINAL
STRATEGIC FINANCIAL MANAGEMENT
FOREX TEST
CURRENCY CONVERSION

Question 1 :

An Indian Mutual Fund decides to invest ₹5000 crore in the stock of S& P 500 Index for a period of one year. Presently the spot rate is ₹50/$. Index Price = $2000.

Given the following additional information:
Stock Forecast: Expected Return(i.e. appreciation) on S & P 500 in $ terms=20%
Currency Forecast: $ is expected to appreciate by 10%

Find out the expected return in ₹ terms.

Question 2 :

An Indian Mutual Fund decides to invest ₹25 Lakhs in the stock of Microsoft for a period of one year. Presently the spot rate is ₹50/$.

Stock Price = $200.

Given the following additional information:
Rf in US = 4%
Market Risk Premium (Rm- Rf) = 5%
Be of Microsoft = 2

Consider the following Exchange rate scenarios:
a. If $ appreciates by 10%
b. If $ depreciates by 10%

Find out the expected return in ₹ terms.

Question 3 :

Interbank i.e. wholesale rate is ₹/$ = 61.30

TT Buying comm = 0.1%

TT selling comm = 0.15%

Calculate the T.T. rates in 4 decimal place

Question 4 :

Consider the following indirect quotes from US point of view –

1$ = ₹45.6020

= Euro 0.8040

= Pound 0.6350

= HK$ 7.2040

= Yen 82.3050

Express the quotes as indirect quote of UK.

Question 5 :

KOTAK Bank provides the following quote :

1 EURO = INR 74.30/75.20

1. Interprete the quote.

2. What is the bid-ask spread in % terms.

Question 6 :

A is person is making a trip to UK, Germany and Japan. He has decided to spend £ 80,000, € 90,000 and ¥6,00,00,000. Exchange rate Quotation = £ / $ = .6220, $ / ∈ = 1.1520, $ / ¥ = .0095. Calculate the total amount of $ required for the trip ?

Question 7 :

The following spot rates are observed in the foreign currency market :

Currency	Foreign Currency / US $
Britian Pound	0.62
Netherlands Guilder	1.90
Sweden Kroner	6.40
Switzerland Franc	1.50
Italy Lira	1300
Japan Yen	140

On the Basis of this information, compute to the nearest second decimal the number of:

a. British pounds that can be acquired for $ 1000

b. Dollars that 50 Dutch guilders will buy

c. Swedish Krona that can be acquired for $40

d. Dollar that 200 Swiss franc can buy

e. Italian lira that can be acquired for $10

f. Dollar that 1000 Japanese Yen will buy

Question 8 :

Consider the following quotations

1 GBP = USD 11.6250 / 11.6310 [USD / GBP]

1 USD = Euro 1.0890 / 1.0950 [Euro / USD]

1USD = Yen 112.50 / 113.70 [Yen / USD]

A US person plans to travel to UK, Europe and Japan and spend £ 20000, €70000 and ¥530000 respectively. How much dollar is required?

Question 9 :

Consider the following quotations –

$ / ¥ = 0.0092 / 0.0095 £ / € = 0.6827 / 0.6895

1. A US firm has surplus funds of $ 80000 and decides to invest in Japan. How much Yen would be invested?
2. A UK exporter to Europe receives € 750000 and wants to convert to pound.
3. An importer of Europe needs to pay pound 620000 for certain goods imported from UK.
4. A US firm needs $ 500000 for its business operation. It decides to borrow from Japan as interest rates are low. How much Yen to be borrowed?

Question 10 :

A US firm decides to acquire a Japanese firm, the purchase consideration fixed at ¥ 500 million, it is an all cash deal. Spot rate on that day happens to be ¥ / $ = 109.70 / 110.50. There was a 10 day delay and exchange rate changed to $ / ¥ = 0.0091 / 0.0094. Find out the loss or gain due to delay.

Question 11 :

Given the rate: $/¥= 0.0105 / 0.0115.

A Japanese student decide to pursue CPA course. Fees = $ 1800

How much ¥ required

Question 12 :

The following 2-way quotes appear in the foreign exchange market :

	Spot	**2-months forward**
₹/€	₹62.20 / ₹62.50	₹63.70 / ₹64.10

Required :

i. How many € should a firm sell to get ₹ 55 lakhs after 2 months ?

ii. How many Rupees is the firm required to pay to obtain € 5,00,000 in the spot market ?

iii. Assume the firm has € 84,000 in current account earning no interest. ROI on Rupee investment is 9% p.a. Should the firm encash the € now or 2 months later?