

Calculation of 1 Month
Selling Rate of Bank it
means ₹/\$ Buying Rate
of Customer

- First Customer Buy \$
at 1 Month FR

₹/\$

₹ 49.4455

(+) 1 Month Swap 0.4200

49.8655

(+) Margin

0.1%

₹/\$

49.9154

$$\begin{aligned} \text{₹/\$} &= 49.9154 \\ \text{SF/\$} &= 1.5150 \\ \text{₹/SF} &= 49.9154 \times \frac{1}{1.5150} = \text{₹ } 32.9475 \end{aligned}$$

Cancellation charges

Buying Rate	₹ 32.4000
Selling Rate	₹ 32.9475
Loss to customer	0.5475
(X) Contract size	SF 100000
Cancellation charges	₹ 54750

QUESTION – 94

NP and Co. has imported goods for US \$ 7,00,000. The amount is payable after three months. The company has also exported goods for US \$ 4,50,000 and this amount is receivable in two months. For receivable amount a forward contract is already taken at ₹ 48.90.

The market rates for Rupee and Dollar are as under:

Spot	₹ 48.50/70
Two months	25/30 points
Three months	40/45 points

The company wants to cover the risk and it has two options as under :

- (A) To cover payables in the forward market and
- (B) To lag the receivables by one month and cover the risk only for the net amount. No interest for delaying the receivables is earned. Evaluate both the options if the cost of Rupee Funds is 12%. Which option is preferable?

(Study Material, PM & Exam May – 2012)

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Option 1 Take forward Cover for payable

Buy \$ at 3 month FR = ₹ 49.15
(48.70 + 0.45)

$$\$700000 \times 49.15 = ₹ 34405000$$

Sell \$ 450000

$$\$450000 \times 48.90 = 22005000$$

$$\text{INT} \left(22005000 \times 12\% \times \frac{1}{12} \right) = 220050$$

$$\text{Net C.O. after 3 months} = \underline{\underline{12179950}}$$

Option 2 Leg the Receivable by 1 Month

Cancellation charges

Buying Rate	48.90
Selling Rate	49.00
(48.70 + 0.30)	
Loss to customer	0.10
(X) Contract size	\$450,000
Cancellation charges	₹ 45,000

Book forward contract
for Net payable

$$(\$700,000 - \$450,000)$$

$$= \$250,000 \text{ at}$$

$$3\text{ month FR} \\ (48.70 + 0.43) = ₹49.15$$

Cash outflows

$$\begin{aligned} \$250,000 \times 49.15 &= 12287500 \\ \text{Cancellation charges} &= \underline{45000} \\ &= \underline{12332500} \end{aligned}$$

Option 1 is
better due
to lower
C.O.

QUESTION – 100

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
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March	46.3550/3650
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Interest on outflow of funds is 16 % and on inflow of funds is 12 %.

Flat charges for early delivery are ₹ 100.

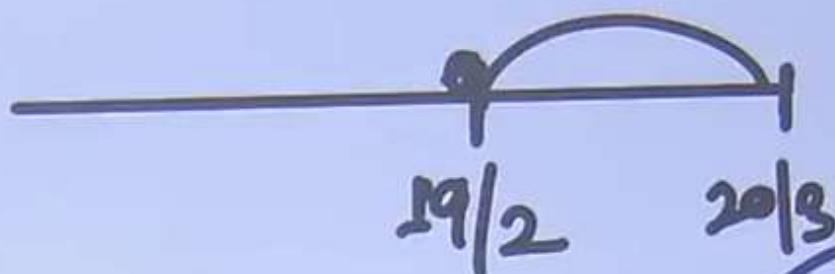
What is the amount that would be recovered from the customer on the transaction?

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

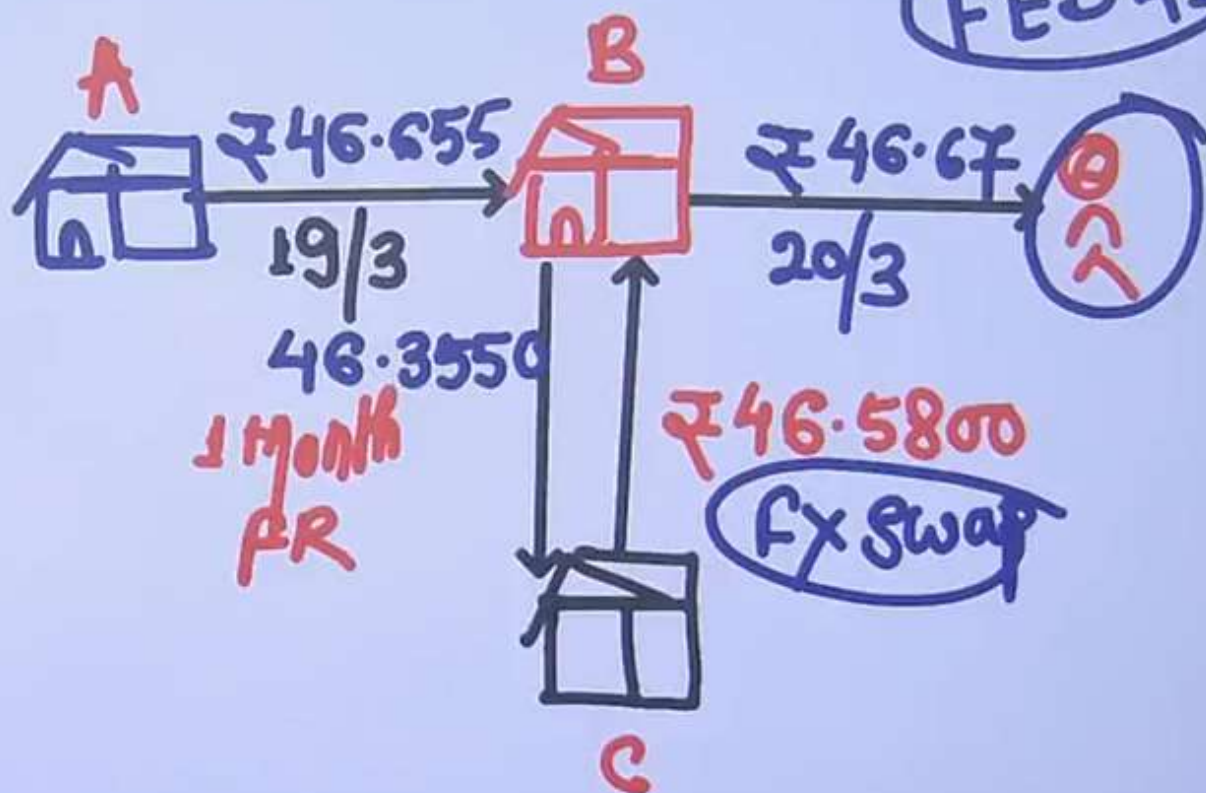
(Exam November – 2018)

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Go to Settings if you need to change anything



FEDAI



Swap Gain/Loss

On 19/2 Bank enters into Buy-Sell Swap. Bank
Buy \$ at ₹ 46.5800 & Sell \$ at 1 month forward
at ₹ 46.3550

Buy	46.5800
Sell	<u>46.3550</u>
Swap Loss	0.225
(X) Contract size \$7000	
Swap Loss :	₹ 1575

Calculation of Net Cash Flow (19/2)

$$\text{Cash Inflows } (\$7000 \times 46.67) = ₹326690$$

$$\text{Cash Outflows } (\$7000 \times 46.5800) = ₹326060$$

$$\text{Net Cash Inflow } ₹630$$

$$\begin{aligned} \text{Intt on Inflows of fund} &= ₹630 \times 12\% \times \frac{1}{2} \\ &= ₹6.30 \end{aligned}$$

Total Amount Recd from customer

$$\text{Sell } \$ (\$7000 \times 46.67) = ₹326690$$

$$\begin{aligned} (+) \text{ Swap Loss} &= ₹1575 \end{aligned}$$

$$\begin{aligned} (-) \text{ Intt on Inflow of fund} &= ₹6.30 \end{aligned}$$

$$₹328258.70 + 100$$

$$\boxed{328358.70}$$

QUESTION – 101

On 1st October, 2020 Mr. Guru, and exporter, enters into a forward contract with the Bank to sell USD 1,00,000 on 31st December 2020 at INR/USD 75.40. However, at the request of the importer, Mr. Guru received the amount on 30th November, 2020. Mr. Guru requested the bank take delivery of the remittance on 30th November, 2020 i.e. before due date.

The inter-bank rate on 30th November, 2020 was as follows:

Spot INR/USD 75.22 - 75.27

One Month Premium 10/15

Assume 365 days in a year.

- (i) If bank agrees to take early delivery then what will be net inflow to Mr. Guru assuming that the prevailing prime lending rate is 18% per annum.
- (ii) If Mr. Guru can deploy these funds in USD, he gets return at the rate of 3% per annum. Which is better? Why?

(Exam July – 2021)

