FOREX [16 to 30 Marks)

1. Basics
2. Forward Contract
3. Spot Market Arbitrage
4. Cover deal
5. Exchange Rate Determinants
6. Foreign Currency Exposure
7. Cancellation of forward Contract
8. Foreign Currency A/c
9. Currency of Investment
10. Currency of Borrowing
11. International Cash Management
12. Currency Swap
13. Economic Exposure
14. Residual

① Exchange Rate

Exchange Rate

Direct Quote

1 unit of foreign Currency is equal to How many units of Home Currency

₹/\$ = ₹83.25

₹/£ = 102.75

Indirect Quote

1 unit of home currency is equal to how many units of foreign currency

\$/₹ = \$0.0120

£/₹ = £0.0097

② Conversion of Currency (Imp)

Suppose $₹/\$$ 84.75

$\$1000 = ₹\ ?$

$€/\$$ 1.1245

$€1000 = \$\ ?$

Rate जिसका दिया है (Base Rate) अगर वो ही Currency दिया है तो Multiply, नहीं तो divide

EXAMPLE – 01

₹/\$ = 70.50

\$ 100000 = ₹ ?

₹ 7050000

EXAMPLE – 02

$\$/₹ = 0.0140$

$\$ 50000 = ?$

3571428

EXAMPLE – 03

$\$/£ = 1.5235$

$\$40000 = £\ ?$

£ 26255.33

EXAMPLE – 04

¥/₹ = 3.4245

₹5000 = ¥ ?

¥ 17122

EXAMPLE – 05

1

USD/INR = 70.50

- Base currency

₹ 100000 = $?

$1418.44

EXAMPLE – 06

₹/£ INR/GBP = 94.75 £/₹

£ 40000 = ₹ ?

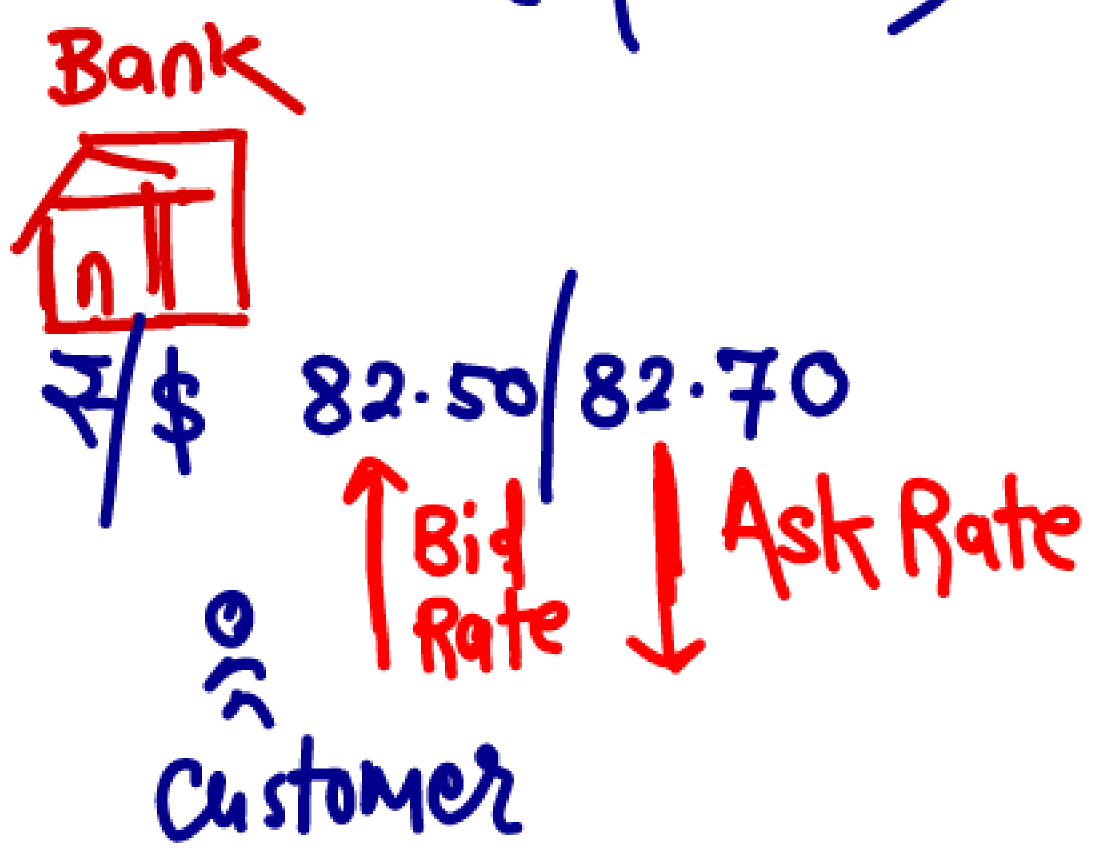
₹ 3790000

1. ¥
2. ₹
3. $
4. €
5. £

Imp

1. USD - GBP £/$
2. INR : JPY ¥/₹
3. GBP/USD 1.2545 $/£
4. JPY/INR 3.15 ¥/₹
5. INR/GBP 102.50 ₹/£

3. Bid & Ask Rate [Most Imp]



Banks buy currency at Lower Rate i.e. ₹ 82.50 is Called "Bid Rate" & Banks Sell currency at at higher Rate i.e. 82.70 is called "Ask Rate"

Difference between Bid Rate & Ask Rate is Called "Bid-Ask spread"

Bid-Ask spread = 82.70 - 82.50

= ₹0.20