

## AcF305: International Financial and Risk Management

### Week 3 tutorial questions

1. A bank quotes the following rates:

	Bid	Ask
EUR/CAD	0.64	0.645
CAD/JPY	0.01	0.012

Compute the EUR/JPY bid cross-rate (that is, the bank's rate for buying JPY).

2. You have just graduated from the University of Florida and are leaving on a whirlwind tour to see some friends. You wish to spend USD 1,000 each in Germany, New Zealand, and Great Britain (USD 3,000 in total). Your bank offers you the following bid-ask quotes:

USD/EUR   Bid: 1.304   Ask: 1.305,

USD/NZD   Bid: 0.67   Ask: 0.69,

USD/GBP   Bid: 1.90   Ask: 1.95.

- If you accept these quotes, how many EUR, NZD, and GBP do you have at departure?
- If you return with EUR 300, NZD 1,000, and GBP 75, and the exchange rates are unchanged, how many USD do you have?
- Suppose that instead of selling your remaining EUR 300 once you return home, you want to sell them in Great Britain. At the train station, you are offered GBP/EUR 0.66-0.68, while a bank three blocks from the station offers GBP/EUR 0.665-0.675. At what rate are you willing to sell your EUR 300? How many GBP will you receive?