Unit 4 · Currency and Exchange Rate

ANSWER KEY · FOR TEACHERS

Full marks 30

Give the marks for the points in the marking scheme; an answer in other words that says the same is right.

1 Key words

1. foreign currency → **g.** the money of another country
2. exchange rate → **c.** the price of one currency in another
3. buying rate → **f.** what a bank pays you for a unit of foreign currency
4. selling rate → **b.** what a bank charges you for a unit of foreign currency
5. devaluation → **d.** a fall in the rupee's value: a foreign currency costs more rupees
6. revaluation → **a.** a rise in the rupee's value: a foreign currency costs fewer rupees

Each carries 0.5 mark. **K · 3**

2 Fill the diagram

1. You
2. Rs 127.35 (buying rate)
3. Rs 127.95 (selling rate)
4. Bank

Each carries 0.5 mark. **U · 2**

3 Multiple choice

i. **a.** Rs 152.06, its buying rate **K · 1**

The bank is buying Sita's dollars, so it pays its buying rate, the lower one. It sells dollars at the higher rate: that gap is what it keeps.

ii. **c.** Rs 4,000 **U · 1**

₹2,500 is 25 lots of ₹100, so $25 \times 160 = 4000$. Rs 1,562.50 divides by 1.6 instead of multiplying, and Rs 40,000 forgets that the rate is for ₹100, not ₹1.

iii. **c.** $1 = Rs 147 **U · 1**

Devalued means a dollar costs more rupees: $140 \times 1.05 = 147$. Rs 133 is a revaluation; Rs 145 adds 5 rupees, not 5%.

iv. **c.** Rs 19,240 **A · 1**

The rate is for ¥10, so ¥20,000 is 2,000 lots of ¥10: $2000 \times 9.62 = 19240$. Rs 1,92,400 uses the rate as if it were for ¥1.

v. **a.** a family in Nepal that receives dollars from abroad **A · 1**

Each dollar now brings more rupees, so whoever turns dollars into rupees gains. The other three turn rupees into dollars and must pay more.

4 Very short answers

a. **K · 1**

MARKING SCHEME

✓ What the bank pays for the foreign currency.

b. **U · 1**

MARKING SCHEME

✓ Rs 7,633.

c. **A · 1**

MARKING SCHEME

✓ Rs 82,800.

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5 Short answers

a. MARKING SCHEME U · 2

- ✓ The gap between buying and selling is the bank's earning.
- ✓ The selling rate is higher.

b. MARKING SCHEME U · 2

- ✓ Rupees to dollars is a division by the rate.
- ✓ \$781.56.

c. MARKING SCHEME A · 2

- ✓ \$380 before, new rate Rs 142.50.
- ✓ \$400: \$20 more.

6 Problems

a. ANSWER A · 3

Dollars: $\frac{1240000}{124} = 10000$.

New rate: $124 \times 1.1 = 136.40$. Back: $10000 \times 136.40 = 1364000$.

A profit of Rs 1,24,000.

MARKING SCHEME

- ✓ 1240000/124 = 10000 dollars.
- ✓ New rate Rs 136.40; back Rs 13,64,000.
- ✓ A profit of Rs 1,24,000.

b. ANSWER A · 4

Shawls with tax: $500 \times 3500 \times 1.05 = 1837500$. Transport: $30 \times 88.50 = 2655$.

Cost price: $1837500 + 2655 = 1840155$.

Selling price: $500 \times 80 \times 88.50 = 3540000$.

Profit: $3540000 - 1840155 = 1699845$; $\frac{1699845}{1840155} \times 100\% = 92.38\%$.

A profit of 92.38%.

MARKING SCHEME

- ✓ Shawls with tax: Rs 18,37,500.
- ✓ Cost price with transport (Rs 2,655): Rs 18,40,155.
- ✓ Selling price: Rs 35,40,000.
- ✓ A profit of 92.38%.

c. ANSWER A · 2

$5612 \times 18.70 =$ Rs 1,04,944.40; $\frac{104944.40}{33.91} = 3094.79$. **SAR 3,094.79.**

MARKING SCHEME

- ✓ Rs 1,04,944.40.
- ✓ SAR 3,094.79.

7 Think

ANSWER HA · 2

Let the old rate be \$1 = Rs r; the new rate is Rs $1.1r$.

The family gets $500 \times 1.1r = 1.1 \times 500r$ rupees: **yes, 10% more rupees**.

One rupee bought $\frac{1}{r}$ dollars and now buys $\frac{1}{1.1r} \approx 0.909 \times \frac{1}{r}$: **not 10% fewer, about 9.1% fewer**, because the 10% is of the dollar's old price, not of the rupee's.

MARKING SCHEME

- ✓ Yes: 10% more rupees.
- ✓ No: a rupee buys about 9.1% fewer dollars.

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8 Activity: Read a rate board

(not marked)

WHAT STUDENTS SHOULD FIND

The gap is usually about 0.4–0.5% of the selling rate for the dollar, the euro and the Gulf currencies. The Indian rupee's gap is far smaller (under 0.1%: Rs 160 and Rs 160.15 for ₹100), because Nepal Rastra Bank fixes its rate, so a bank takes almost no risk on it. The gap in rupees depends on the unit (per ¥10, per ₹100), but the gap as a percentage doesn't, so compare the percentages.

Marks by level	Knowledge	Understanding	Application	Higher ability	Total
Marks	5	9	14	2	**30**

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