# SHORT CUT METHOD TO CALCULATE CROSS RATES IN FOREX

| Case-I | Case-II | Case-III |
|---|---|---|
| Common currency in base sides in both quotes<br>1$=CAD $ 1.5020/21<br>1$=SGD $ 1.1015/16<br><br>Solution:<br>Common Currency is-$<br>Location of Common Currency: Base Side<br>Cross rate to be computed for:<br>i) 1CAD$ = how may SGD?<br>ii) 1SGD= how many CAD?<br><br>Answer to-(i)<br>Since we need to make CAD$ as base currency, simple funda is to divide *across* by the currency that is going to be the "base currency" in the cross rate.<br>Hence,<br>1CAD$= SGD1.1015/**1.5021**<br>1.1016/**1.5020**<br><br>In the same way,(ii)<br>1SGD= CAD $1.5020/**1.1016**<br>1.5021/**1.1015** | Common currency in price side in both quotes<br>1GBP=USD 1.2036/37<br>1AUD=USD 1.1015/16<br><br>Solution:<br>Common Currency is-USD<br>Location of Common Currency: Price Side<br>Cross rate to be computed for:<br>i) 1 GBP =how many AUD?<br>ii) 1 AUD =how many GBP?<br><br>Answer to-(i)<br>Now, remember – we have to make GBP as base currency, the funda is to divide across by the currency that is going to be the price currency.<br><br>Hence,1GBP=1.2036/**1.1016**<br>1.2037/**1.1015**<br><br>Similarly,(ii)<br>1 AUD=GBP 1.1015/**1.2037**<br>1.1016/**1.2036** | Common currency in base side in one quote and price side in another quote<br>1 GBP=USD 1.2036/37<br>1USD=INR 60.3056/57<br><br>Solution:<br>Common Currency is-USD<br>Location of Common Currency:<br>Base as well as Price Side<br>Cross rate to be computed for:<br>i) 1 GBP=how many INR?<br>ii) 1INR=how many GBP<br><br>Answer to-(i)<br>At first we need to calculate inverse rate for GBP so as to reach case I, and then proceed as done in case I<br>Inverse rate: 1USD= GBP1/**1.2037**<br>1/**1.2036**<br>As applied in Case I, the result will be like this:<br><br>1 GBP=INR 60.3056*1.2036<br>60.3057*1.2037<br>Note: (i)Rather computing Inverse rate and proceeding as same as in Case I we may directly multiply the two quotes and obtain the same result.<br><br>(ii) Multiplying down concept helps to find out the price of that currency only which is in base rate previously.<br><br>Now the answer for 1 INR= how many GBP<br>Remember, the price of 1 INR cannot be computed by multiply down process.<br>Simply we have to take the inverse rate of INR form answer-(i)<br>So, 1 INR= 1/(**60.3057*1.2037**)<br>1/(**60.3056*1.20036**) |



***Replies and comments are most welcome at tniraj20@gmail.com, nirajlearning.blogspot.in***

NIRAJ THAPA