



Tier 1 Foreign Exchange (927) Learning Outcomes

Module 1: Foreign Exchange Markets

Upon the successful completion of this module, you should be able to:

- Describe how a currency is affected by various factors, including: economic and market
- Distinguish between factors that have a short-term impact and those that have a long-term impact on a currency
- Discuss the role of the Reserve Bank of Australia (RBA) and its ability to influence the value of the Australian dollar (AUD)
- Examine recent developments in the foreign exchange market, including movements in the value of the AUD
- Analyse the impact of market factors on the AUD, including: market sentiment; movements in other currencies; large transactions
- Categorise why various market participants would access the foreign exchange market

Module 2: Spot Transactions

On successful completion of this module, you should be able to:

- Distinguish between direct and indirect quotations
- Differentiate between base currency and terms currency
- Differentiate between a price maker and a price taker
- Define the following terms: bid/offer; a two-way price; a spread; points/pips
- Explain the rules of determining value dates
- Undertake currency conversion calculations
- Calculate cross rates using various combinations of direct and indirect currencies

Module 3: Foreign Exchange Forward Markets

Upon the successful completion of this module, you should be able to:

- Understand the concept of interest rate differentials
- Identify which day basis is applicable to different currencies
- Calculate forward margins
- Recognise whether to add or to subtract the forward points
- Apply market conventions for the calculation of settlement rates for foreign exchange swaps and outright forward transactions
- Calculate forward cross rates

Module 4: Currency Options

On successful completion of this module, you should be able to:

- Define a currency option
- Describe the various features of currency options
- Identify the fundamentals of options pricing
- Calculate an option's premium, worst-case and break-even rate
- Explain how to hedge foreign exchange risk using currency options

Module 5: Foreign Exchange Risk Management

On successful completion of this module, you should be able to:

- Identify the nature of foreign exchange exposures
- Explain the concept of transaction, translation and economic exposures
- Discuss the issues involved in determining a corporate's foreign exchange exposures and the different types of exposure that exist
- Explain why companies should monitor their foreign exchange exposures
- Describe the impact of market and economic conditions on a company's foreign exchange exposure
- Identify strategies to minimise foreign exchange risk
- Outline management considerations when establishing a foreign exchange risk management policy

Module 6:

Taxation and the Foreign Exchange Market

On successful completion of this module, you should be able to:

- Identify the key tax implications of foreign currency transactions
- Identify the recent developments in foreign currency accounting and taxation in Australia