

Exchange Rates

Converting between currencies

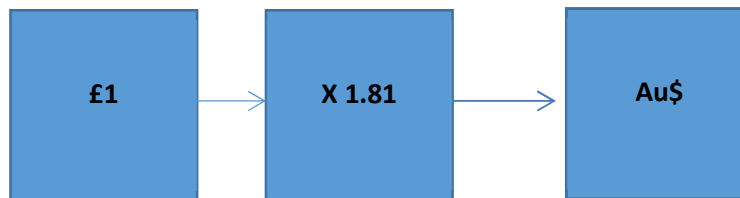
- International currencies are bought and sold by investors and speculators.
- Their values fluctuate based on political and economic situations in the country and around the world.
- For example, at the moment uncertainty over Brexit means that investors don't want to invest in the British £ so it has a weak exchange rate. Conversely, the USA economy is booming so investors want to buy the US \$, which means it is more expensive to buy them.
- There are pro's and con's to a weak exchange rate. It is good for tourism as a foreign tourist coming to the UK can buy more of them for their currency so what they spend here is relatively cheap. It is bad for UK manufacturers who buy parts or components from foreign companies as these become more expensive.
- These fluctuations also affect how much travellers and holiday makers pay for their foreign currencies.
- When you go to a bank, post office or large supermarket to buy currency the exchange rate is displayed in the form of how much £1 will buy you.

	We buy at	We sell at
EURO	1.3153	1.1982
U.S.A.	1.7791	1.6224
AUSTRALIA	2.6988	2.4834
CANADA	2.0738	1.8519
CZECH REPUBLIC	332.19	29.100
JAPAN	176.86	15.797
MEXICO	24.882	2.1538
SOUTH AFRICA	16.896	14.968
SWITZERLAND	2.0164	1.8023
TURKEY	2.6021	2.2171

Other currencies available upon request

- As you can see in the above table currencies are often bought and sold at different rates, when selling you euros $\text{£}1 = \text{€}1.1982$, when buying them from you $\text{£}1 = \text{€}1.3153$.

- This is how the vendors make money on the transactions. See eg2 below.
- Consider buying Australian dollars; the current exchange rate is £1 = Au\$1.81



- You might want to spend £100 on Au\$
- Alternatively you might want to buy Au\$100
- So when you are converting *from £ to the other currency* you will *multiply by* the exchange rate.
- When converting *from the other currency to £* you will *divide by* the exchange rate.

Examples

1. Logan is travelling to Turkey on holiday and wishes to buy £750 of Turkish Lira. The exchange rate at Tesco is £1 = ₺7.7202, how much Turkish lira can he buy?

Unfortunately, Tesco only have ₺100 notes. How much is he able to buy and what will this cost him?

2. Tracy has just spent £200 on euros in a supermarket for a trip she is making next week. Whilst she is completing her shopping in the supermarket she takes a call telling her the trip has been cancelled, so she decides to exchange the euros back to pounds. How much money has she lost?

What is the percentage loss?

3. Cassidy is planning a holiday where she will spend a week in San Francisco before travelling onwards to Tokyo. She has saved £1000 to spend, half in the USA and half in Japan. She can't decide whether she is better off buying £500 of US\$ and £500 of Japanese Yen (¥) before she leaves or changing all the money into \$ and then changing half of these into yen in San Francisco.

The exchange rates are: £1 = \$1.31, £1 = ¥148.58, \$1 = ¥112.60

Showing your calculations, what would you advise Cassidy to do?

Intermediate Tier Numeracy PPQs

1.

Catrin went on holiday to Brazil.

- (a) She changed £850 into Brazilian Real (R\$) when the exchange rate was £1 = 5.44 R\$.
How many Brazilian Real (R\$) did she receive? [2]

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- (b) Whilst on holiday, she went on a tour which cost 500 R\$.
What was the cost of the tour in pounds? [2]

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2.

The currency in Brazil is known as the Brazilian Real, BRL.

		
Year	Pound (£)	Brazilian Real (BRL)
2010	1	2.86
2014	1	3.71

In 2010, Ava bought £3400 worth of Brazilian Real, BRL.
In 2014, Ava exchanged this money back into pounds.

Did Ava gain or lose money?

State how much money Ava gained or lost, giving your answer correct to the nearest pound. [5]

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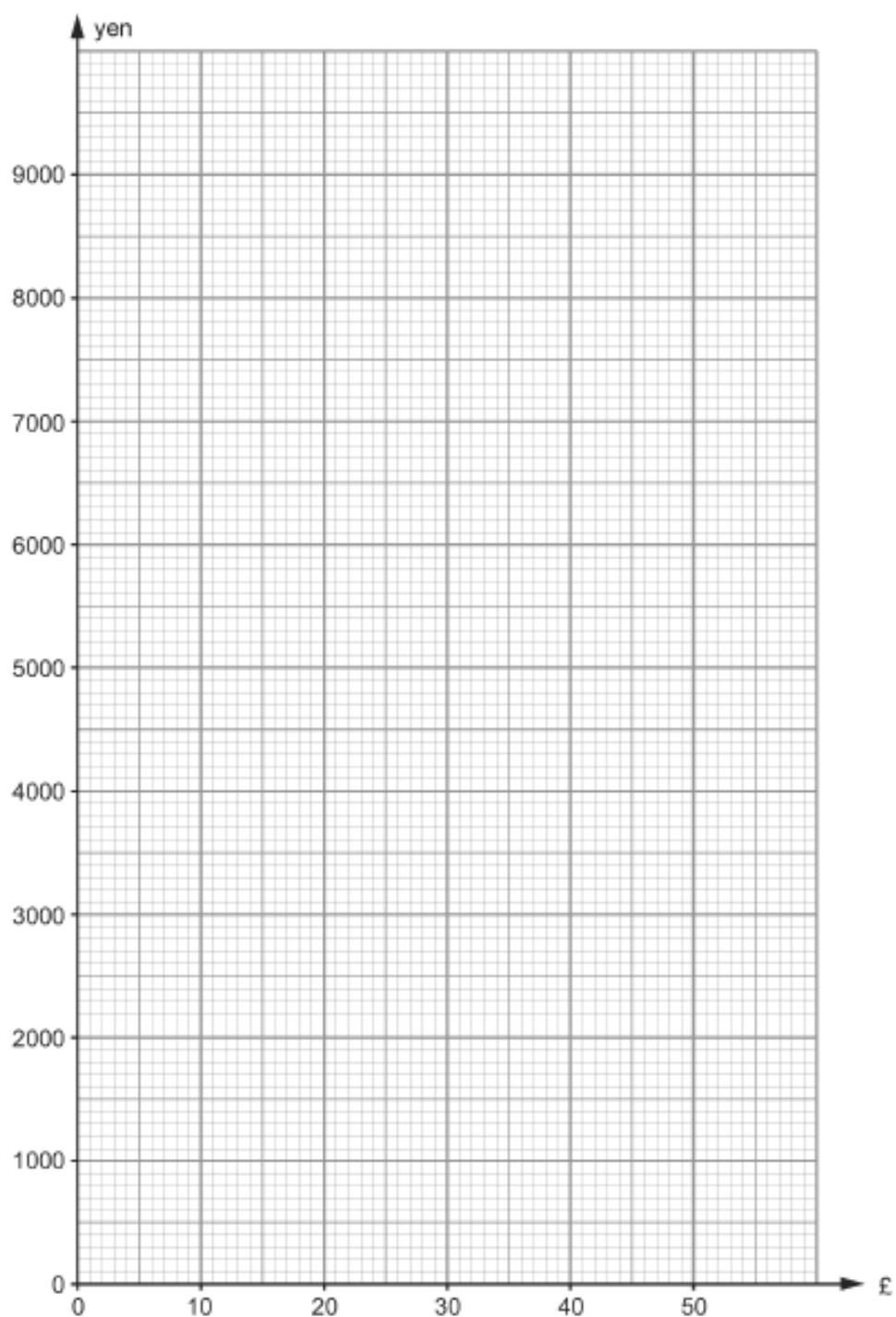
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3.

Dylan is going on a trip to Japan.
The exchange rate at the time of his trip is $\text{£}1 \equiv 175$ yen.

- (a) Draw a conversion graph between £ and yen on the graph paper below.
The graph should show the conversion from $\text{£}0$ to $\text{£}50$.

[3]



- (b) Use your graph, or otherwise, to convert 20 000 yen into pounds.
Give your answer correct to the nearest pound.

[2]

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Numerical Answers: Q1(a) 4624 (b) 92, Q2 Loses £779, Q3 £114, Q4(a) £459.91, (b) £1.49

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[5]

You must show all your working.

- the maximum number of CYN Dewi can buy, and
 - how much, to the nearest penny, this will cost him.
- Calculate

(a) Dewi has £460 to buy Chinese yuan.



The bureau has many of the following CYN notes.

The exchange bureau has all the possible sterling coins and notes available or accepted. Dewi knows that the exchange bureau only sells and buys CYN notes and that no coins are

Selling Chinese yuan (CYN)	9.42 CYN buys £1
Buying Chinese yuan (CYN)	£1 buys 9.28 CYN

He has found the following rates for exchanging pounds sterling (£) and Chinese yuan (CYN), at a local exchange bureau.

4. Dewi is going on holiday to China.

- (b) It would cost Dewi £100 to buy 928 CYN.
Dewi states that he will lose money when he changes any CYN notes that he buys back into pounds.
How much would Dewi lose in changing 928 CYN back into pounds? [3]

5. Jack has returned to the UK having been working in Europe.
He has 450 euros, which he wants to exchange into pounds.
The exchange rate he is offered at the bank for changing euros into pounds is £1 = 1.20 euros.

His sister Gillian is about to go on holiday to France and intends to exchange £400 into euros.
The exchange rate she is offered at the bank for changing pounds into euros is £1 = 1.08 euros.

Rather than going to the bank,

- Jack gives Gillian his 450 euros,
- Gillian gives Jack her £400.

Show how both Jack and Gillian save money by doing this.