





Lesson 4.1 - Currency Conversions

Currency	Three-letter abbreviation	Symbol
Australian dollar	AUD	\$
Canadian dollar	CAD	\$
European euro	EUR	€
Hong Kong dollar	HKD	\$
Indian rupee	INR	₹
Japanese yen	JPY	¥
US dollar	USD	\$
UK pound	GBP	£

EXAM TIP!!! In financial questions set in examinations, you will be expected to give answers to two decimal places, unless you are given different instructions. If you forget to do this, you will be given a one-mark penalty for that examination paper.

To change one currency to another you need to know the **exchange rate**.

The exchange rate is also called the 'foreign-exchange rate', 'forex rate' or 'FX rate'.

	 CAD	 EUR
	1	1.2888
	0.775915	1

Wednesday, January 12, 2011

Modified from <http://www.x-rates.com>

EXAMPLE #1

- a. Zara is planning to travel from France to Canada. She has €1800 to change into Canadian dollars. How many dollars can she buy if she exchanges the currencies according to the table alongside?

$$1800 (1.2888) = 2319.84 \text{ CAD}$$

- b. During her holiday, Zara spends \$1600 of her Canadian dollars. If she changes her remaining dollars back into euros when she gets home, according to the table above, how many euros will she have?

$$2319.84 - 1600 = 719.84 \text{ CAD}$$

$$719.84 (.775915) = \boxed{\text{€ } 558.53}$$

BUYING & SELLING CURRENCY

Country	Currency	We buy	We sell
Australia	AUD	1.697	1.460
Euro zone	EUR	1.299	1.132
Hong Kong	HKD	12.89	11.34
Japan	JPY	139.7	121.0
Switzerland	CHF	1.638	1.411
USA	USD	1.683	1.472

EXAMPLE #2

Marc and Annie are travelling from Cardiff in Wales to Hong Kong. They decide to take £1250 each, but go to different banks to change the currency. Marc's bank quotes an exchange rate of 1 GBP = 12.39 HKD, and charges 2% commission in the original currency. Annie decides to buy from a bank that charges no commission. The bank is selling at a rate of 1 GBP = 11.46 HKD. How much money will they have in HKD?

Marc

$$1250(.02) = 25 \text{ GBP}$$

$$1250 - 25 = 1225 \text{ GBP}$$

$$1225(12.39) = \boxed{15177.75 \text{ HKD}}$$

Annie

$$1250(11.46) = \boxed{14325 \text{ HKD}}$$

EXAMPLE #3

After the trip they return to Wales with 3700 HKD each, and sell their currency back to their respective banks. Marc's bank again charges 2% commission and uses the same exchange rate as before:

1 GBP = 12.39 HKD. Annie's bank is buying at a rate of 1 GBP = 13.29 HKD.
How much will their money be worth back in Wales?

Marc

$$3700(.02) = 74 \text{ HKD}$$

$$3700 - 74 = 3626 \text{ HKD}$$

$$\frac{3626}{12.39} = 292.65 \text{ GBP}$$

Annie

$$\frac{3700}{13.29} = 278.40 \text{ GBP}$$