Name ________________________________ Country ______________________________

Period _____________ Date ______________ Currency of Country _____________________

CALCULATING EXCHANGE RATES

Using information from the Pacific Exchange Rate Service, fill in the following blanks.

1) To take one U.S. dollar and transfer it to one unit of currency for your country:

__________ Units of ________________ = 1 U.S. dollar (Units per 1 USD)
(how many) (currency)

2) Now, to transfer one unit of your countries currency into U.S. dollars:

__________ U.S. dollars = 1 Unit of __________________ (USD per 1 Unit)
(how many) (currency)

To find out what more than one of your countries' money (currency) is worth in U.S. dollars, multiply the amount of U.S. dollars by the "Units per 1 USD" multiplier to get your answer.

Set up the problem this way. Example problem: $4.00 (U.S. dollars)
x 0.00234 (Hypothetical multipier)

3) _____________
(answer here)

Convert the following U.S. currency into currency from your chosen country. Label the currency.

4) $ 5.50 (US dollars) 5) $ 27.00 6) $ 17.00 7) $ 21.75

8) $ 0.50 9) $ 3.30 10) $12.23 11) $ 50.00

Answer the questions below using the following information:
You own a small recording company.You sell CDs through your website for $15,including shipping and handling.You get an e-mail from a person who owns a record store in England who would like to sell your CDs in his store. He wants to buy your CDs from you for $10 and sell them in his store for £30 (thirty pounds). He says his profit from each sale would be £10 and he will split it with you.

12. How much profit (in pounds) would you get from the sale of each CD in the British store?

13. How much is that profit in dollars?

14. Is this a good business opportunity for you? Why or why not?

15. If the exchange rate between the dollar and the pound fell to $1 = £1, would this still be a good business idea for you? Why or why not?

The following table identifies gas prices for various countires around the world. Gas prices in the United States are actually much lower than in many countries. The main factor in price disparities between countries is government policy. Many European nations tax gasoline heavily, with taxes making up as much as 75% of the cost of a gallon. In a few Latin America and Middle-East nations, such as Venezuela and Saudi Arabia, oil is produced by a government-owned company and local gasoline prices are kept low. Convert the figures below Dollars (Use the “USD per 1 Unit” multiplier) and calculate how many gallons of gas you could buy for $10.

Country	***Price/Gallon***	***In US Dollars***	***Gallons for $10***
Netherlands	*4.74 Euros*		
Norway	*37.29 Krone*		
Great Britain	*2.90 Pounds*		
Germany	*4.08 Euros*		
Hungary	*894.93 Forints*		
Japan	*506.42 Yen*		
Brazil	*6.34 Reals*		
South Africa	*18.42 Rands*		
Russia	*53.93 Roubles*		
*Venezuela**	*0.26 (x1000) Bolivars*		

<u>The Value of a Dollar</u>

When the United States dollar is strong or increases in value against all other currencies, the following situations will most likely occur.

PROS FOR A STRONG U.S. DOLLAR
1. It is cheaper for U.S. businesses to import from foreign countries because the dollar is strong so foreign goods and services will cost less. The consumer will benefit from this since import prices on goods would go down.

2. It would be cheaper for U.S. citizens to travel abroad since the consumer would be getting more for their U.S. dollars. This usually makes things like food, hotels, and souvenirs cost less.

CONS AGAINST A STRONG U.S. DOLLAR
1. Foreign businesses are less likely to import from the United States because they can trade more goods for their money with a different country that has a currency weaker than the dollar.

2. The U.S. is less likely to export goods when the dollar is strong; thus, foreign demand for goods will decrease. When this happens, it tends to hurt American companies by reducing their international sales.

3. Generally, a foreign country will buy agricultural exports cheaper from a country with a weaker currency exchange rate than the U.S. dollar. The result is that American farmers will develop a surplus of crops, which may lead to lower prices. Getting less for what they produce is a disadvantage to farmers.

4. The U.S. trade deficit increases since we are importing more than we are exporting.

When the United States dollar is weak or decreases in value against foreign currencies the following situations will probably occur.

PROS ASSOCIATED WITH A WEAK U.S. DOLLAR
1. When other currencies are strong, relative to the U.S. dollar, international firms will be able to purchase more products from the U.S. resulting in an increase in exports.

2. When we export more goods abroad, we need more people to produce these products, so our employment rate goes up.

3. When we export more than we import, the trade deficit decreases.

4. When our dollar is weak, other countries can purchase U.S. goods and services at a lower price. For that reason, goods like our agricultural products are in high demand and farmers can expect a rise on most grain and livestock prices.

5. A weak dollar attracts foreign investment into the U.S.; thus, our real estate, businesses, and other investments become good investments for international business owners.

CONS ASSOCIATED WITH A WEAK U.S. DOLLAR
1. When our dollar is weak it costs a lot for U.S. businesses to import goods. These costs are passed on to the consumer. When this happens, prices on goods tend to rise.

2. When we get less of a nation's currency for our dollar, it costs American tourists, business people, and students more money to travel abroad.

3. There will be less foreign investment in U.S. Treasury bills used to finance U.S. government expenditures.