

Topic Exploration Pack

Foreign Exchange

Activity 1

Jenny lives in the United Kingdom and is going on a trip round the world. She will travel to France, the United States, Japan, Australia, Thailand and Egypt before she returns to the UK. As she will not spend more than a week in any country, she decides that she will buy all of her foreign currency in advance from her bank. She wishes to convert £200 into each of these currencies.



Task 1

Find out which currency is used by each of these countries.



Task 2

Use the internet to find the exchange rates for each of these currencies. Draw up a table showing each of these rates. In your table, you should show both the buying rate and the selling rate for each currency which Jenny needs.

Task 3

Assuming that the bank does not charge any commission for exchanging currency, calculate how much of each foreign currency Jenny receives.



Activity 2

Andy is planning to buy a bicycle. She wants to buy a particular model of road bicycle on the internet. After checking prices in the United Kingdom where she lives, she decides to check prices in other countries. The lowest prices and delivery charges are shown below. She plans to pay by credit card. If she buys from abroad, she will have to pay an additional charge of 3% of the cost of the transaction (including the delivery charge) to the credit card company.

UK

Price: £899.99

Delivery: free

Germany

Price: 1079.99 euros

Delivery: free

Exchange rate: 1 euro = £0.8146

United States of America

Price: 1090.00 US dollars

Delivery: 35 US dollars

In addition VAT at 20% of the total cost will be charged.

Exchange rate: 1 US dollar = £0.6473

Australia

Price: 1280.00 Australian dollars

Delivery: 165 Australian dollars

In addition VAT at 20% of the total cost will be charged

Exchange rate: 1 Australian dollar = £0.5613



Task 1

Work out the total cost in pounds if Andy buys the bicycle from Germany.

Task 2

Work out the total cost if Andy buys the bicycle from the USA and the total cost if she buys it from Australia. Advise Andy on which option is best.



Activity 3

Omar lives in Scotland and is going on holiday to Rome. He wants to convert £500 into euros before he leaves and wants to receive as many euros as possible for his £500. He considers getting the euros from a bank, a supermarket and an internet company which offers foreign currency exchange. As an alternative he also considers waiting until he gets to Rome and getting his money from an ATM (a cash machine). Omar may not use all of the euros which he purchases. If he does not use all of them, he will want to change them back into pounds sterling.

**Bank**

- This is part of a table from the bank.
- The bank also charges 1% commission on any foreign exchange transaction.
- The bank will buy back any unused currency at the 'Buy rate'.

Currency	Sell rate	Buy rate
EURO	1.2289	1.3844
US DOLLARS	1.5475	1.7633

Supermarket

- The supermarket offers a selling rate of 1.2243 and does not charge commission.
- The supermarket will buy back any unused currency at the same rate at which it is sold. However, it will only do this if the buyer pays a fee of £4.99 when the currency is bought.

Internet Company

- The internet company offers a selling rate of 1.2309.
- It does not charge commission.
- There is a fee of £5 to deliver foreign currency to your home unless the cost of the foreign currency is at least £600.
- The internet company will buy back any unused currency at the same rate at which it is sold. However, it will only do this if the buyer pays a fee of £3.99 when the currency is bought.

Using an ATM in Italy

- The ATM will provide euros at a selling rate of 1.2491.
- There is a 'foreign currency fee' of 2% of the value of the withdrawal, but there is a minimum charge of £2.50 and a maximum charge of £5.
- There is a £2.49 fee for each withdrawal.



Task 1

Work out how many euros Omar will receive from the bank, the supermarket and the internet company, assuming that he does not pay the buyback fee to the supermarket or the internet company.

Task 2

Work out how many euros Omar will receive if he uses an ATM in Italy, taking out £200 twice and then £100 once.



Task 3

In fact Omar only spends 400 euros in Italy. Work out which of these 3 options would have been best:

1. Use an ATM in Rome and convert any remaining euros back into pounds at the rate offered in the bank when he returns.
2. Get his euros from the supermarket and pay the buyback fee.
3. Get his euros from the supermarket without paying the buyback fee, if he can return his unused euros to the supermarket at the buy rate for the supermarket which is 1.3612.

