

Currency / Foreign Exchange

To change British currency to foreign currency, multiply it by its exchange rate

Foreign Currency = British Currency x Exchange Rate

Example

Currency	Exchange Rate
Euro (EUR)	1.24
Swiss Franc (CHF)	2.52
US Dollar (USD)	1.79

- (i) What is the approximate value of £120 in US dollars?

US dollar value = $120 \times 1.79 = \$214.80$

- (ii) What is 3,000CHF worth in pounds sterling?

We have that $\text{GBP value} = 3000 / 2.52 = \text{£}1,190.48$

- (iii) The current Euro rate is a 15% decrease on the rate one year ago. What was £1000 worth in Euro one year ago?

The current Euro rate is 1.24. That means that £1 is worth €1.24. This is a 15% decrease on last year's price, and thus is 85% of last year's price. Therefore, last year's Euro rate must have been $1.24 / 85\% = 1.46$

Then one year ago, £1000 would have been worth $1000 \times 1.46 = \text{€}1,460$

- (iv) Joe needs \$350 and €500 for a short trip abroad. What will this cost in GBP?

We calculate the cost of each currency in turn

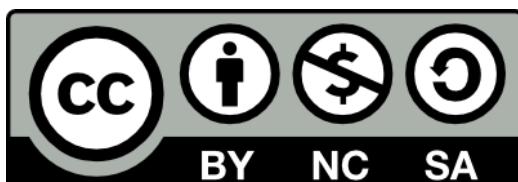
USD $350 / 1.79 = 195.53$

EUR $500 / 1.24 = 403.23$

Therefore the total cost is $195.53 + 403.23 = \text{£}598.76$

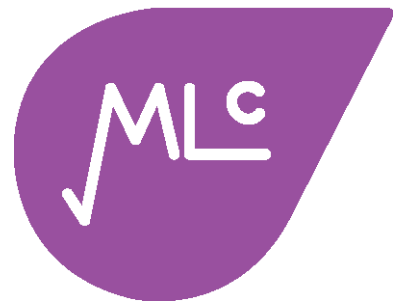
Remember

GBP, British pounds and pounds sterling are all the same thing



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Exchange rates can also be displayed as in the following example.

Example

	UK Pounds Sterling (£)	US Dollars (\$)
1.00 UK Pounds Sterling =	1.00	1.59
1.00 US Dollar =	0.63	1.00
1.00 Canadian Dollar =	0.45	0.71
1.00 JP Yen =	0.007	0.011
1.00 Eur =	0.73	1.16

- (i) What is the approximate value in pounds sterling of 250 Canadian dollars?

We can see that 1 Canadian dollar is worth £0.45 and so we have

$$250 \times 0.45 = \text{£}112.50$$

- (ii) What is the approximate value of £415 in US dollars?

We can see that £1 is worth \$1.59 and so we have

$$1.59 = \$659.85$$

- (iii) Approximately, how many Euro are 3,000 JP Yen worth?

We do not have any exchange rate between Euro and JP Yen, but we do know the exchange rate for each of these currencies with GBP. Therefore we can convert them through the pounds sterling exchange rate.

$$\text{British value of 3000 JP Yen} = 3000 \times 0.007 = \text{£}21$$

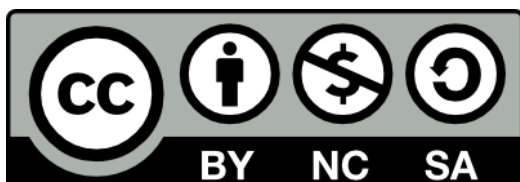
$$\text{Then converting £21 to Euro we have } 21 / 0.73 = \text{€}28.77$$

- (iv) Which is worth more €500 or 700 US dollars?

The quickest way to compare these amounts is to use the table to convert €500 to USD. We have that

$$500 \times 1.16 = 580 \text{ US dollars}$$

Therefore 700 US dollars is worth more than €500.



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