# Money Across Borders

How currency exchange makes international trade possible

**SS6E2.c** "Explain why international trade requires a system for exchanging currencies between nations."

NAME ______________________ DATE ____________

## 1 READ AND MARK

Read it twice

**YOUR JOB** Underline each sentence that explains a problem caused by different currencies. Circle each sentence that explains how currency exchange solves that problem.

### Trading With Different Money

1 A coffee shop in Canada wants to buy beans from a farm in Colombia. The Canadian buyer earns and keeps money in Canadian dollars. The Colombian farm pays workers and buys supplies using Colombian pesos. If the buyer sends Canadian dollars, the farm cannot easily use that money for its local costs. Before the sale is complete, the two businesses need a way to exchange one currency for the other. This exchange lets each business use money accepted in its own country.

2 An exchange rate tells how much of one currency can be traded for another. Banks and currency exchange services use rates to make the trade. Rates can change from day to day, so the number of pesos the Colombian farm receives for the same number of Canadian dollars may change. The businesses can check the rate, agree on a price, and exchange the payment. Without this system, they would struggle to decide what the payment is worth and how to use it.

3 Currency exchange supports trade between many nations in Latin America, Canada, and beyond. A Chilean company selling fruit to a store in Mexico might prefer Chilean pesos, while the Mexican store uses Mexican pesos. An exchange system connects their money so the seller can receive a currency useful at home and the buyer can pay with its own currency. By making payments understandable and usable on both sides, currency exchange helps goods cross borders and allows businesses to trade.

## 2 ANSWER WITH EVIDENCE

Use the passage

1. Why could the Colombian farm not easily use Canadian dollars for its local costs?

2. What does an exchange rate tell businesses, and why do they need to check it?

3. How does currency exchange help both the Chilean seller and the Mexican buyer in the fruit trade?

4. What two problems would businesses have if there were no system for exchanging currencies?

## 3 YOUR TURN

Your own words

Imagine a bakery in Peru buying wheat from Canada. Write exactly three sentences that name the two currencies, explain why an exchange is needed, and explain how exchange helps both businesses complete the trade.

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## PART 1 · READ AND MARK

Underline each sentence that explains a problem caused by different currencies. Circle each sentence that explains how currency exchange solves that problem. Accept any marking that follows this job and points at the right text.

## PART 2 · ANSWERS

| # | QUESTION | ANSWER |
|---|---|---|
| 1 | Why could the Colombian farm not easily use Canadian dollars for its local costs? | **The farm pays workers and buys supplies using Colombian pesos, so Canadian dollars are not the money it normally uses for local costs.** |
| 2 | What does an exchange rate tell businesses, and why do they need to check it? | **An exchange rate tells how much of one currency can be traded for another. Businesses need to check it because rates can change, changing how many pesos are received for the same Canadian dollars.** |
| 3 | How does currency exchange help both the Chilean seller and the Mexican buyer in the fruit trade? | **It lets the Chilean seller receive Chilean pesos that are useful at home and lets the Mexican buyer pay with Mexican pesos.** |
| 4 | What two problems would businesses have if there were no system for exchanging currencies? | **They would struggle to decide what a payment is worth and how to use the payment.** |

## PART 3 · YOUR TURN (SAMPLE ANSWER)

A bakery in Peru buys wheat from a Canadian supplier. The bakery uses Peruvian soles, but the supplier uses Canadian dollars, so the payment must be exchanged. Currency exchange lets the bakery pay with money it has and lets the supplier receive money it can use in Canada.

Accept equivalent explanations that different countries use different currencies and that exchange makes payment usable for both trading partners. For the open response, require exactly three sentences that name both currencies and explain the need for and benefit of exchange.