Money Across Borders

How currency exchange helps nations trade

SS6E5.c "Explain why international trade requires a system for exchanging currencies between nations."

NAME ______________________ DATE ____________

1 READ AND MARK

Read it twice

YOUR JOB In each paragraph, underline the sentence that begins with "Because." Those sentences explain why international trade needs currency exchange.

Trading With Different Money

1 Canada buys coffee beans from Peru, while Peru buys machines and software from Canadian businesses. A Canadian buyer pays in Canadian dollars, but a Peruvian coffee seller usually needs Peruvian soles to pay workers and local costs. Because the two countries use different currencies, the buyer and seller need a way to trade Canadian dollars for Peruvian soles. Banks and currency exchange businesses can make this swap, using an agreed exchange rate for that day.

2 A tourist from Mexico may visit Canada and want to buy a museum ticket, lunch, and a bus pass. The tourist brings Mexican pesos, yet stores in Canada set their prices in Canadian dollars. Because a price in pesos cannot be used directly to pay a Canadian-dollar price, the tourist exchanges pesos for Canadian dollars before spending. The exchange rate tells how many Canadian dollars the tourist receives for a certain number of pesos, and the rate can change over time.

3 Jamaica sells bauxite, a mineral used to make aluminum, to buyers in other nations. A company in Jamaica may quote its price in Jamaican dollars, while a buyer in the United States may hold U.S. dollars. Because trade partners must know what one currency is worth in another, a currency exchange system lets them compare prices, convert payment, and complete the sale. This system helps businesses plan costs and receive money they can use at home.

2 ANSWER WITH EVIDENCE

Use the passage

1. In paragraph 1, why does the Peruvian coffee seller need Peruvian soles rather than Canadian dollars?

2. Why must the tourist from Mexico exchange pesos before buying items in Canada?

3. What does an exchange rate tell the tourist in paragraph 2?

4. According to paragraph 3, name two things a currency exchange system lets trade partners do.

3 YOUR TURN

Your own words

Write exactly three sentences about a trade between Canada and one Latin American country. Name a product, name both currencies, and explain how an exchange system helps the buyer and seller complete the trade.

PART 1 · READ AND MARK

In each paragraph, underline the sentence that begins with "Because." Those sentences explain why international trade needs currency exchange. Accept any marking that follows this job and points at the right text.

PART 2 · ANSWERS

#	QUESTION	ANSWER
1	In paragraph 1, why does the Peruvian coffee seller need Peruvian soles rather than Canadian dollars?	**The seller needs Peruvian soles to pay workers and local costs in Peru.**
2	Why must the tourist from Mexico exchange pesos before buying items in Canada?	**Canadian stores set prices in Canadian dollars, so pesos cannot be used directly to pay those prices.**
3	What does an exchange rate tell the tourist in paragraph 2?	**It tells how many Canadian dollars the tourist receives for a certain number of Mexican pesos.**
4	According to paragraph 3, name two things a currency exchange system lets trade partners do.	**It lets them compare prices, convert payment, and complete a sale. Any two are acceptable.**

PART 3 · YOUR TURN (SAMPLE ANSWER)

A Canadian store buys orange juice from Brazil. The store has Canadian dollars, but the Brazilian seller needs Brazilian reais to pay costs at home. An exchange system uses an exchange rate to convert the Canadian dollars into reais, so both businesses can complete the trade.

Accept answers that explain that nations use different currencies and that exchange converts one currency into another for payment. For the open response, accept any accurate Canada and Latin America trade example that includes a product, two currencies, and a clear purpose for exchange.