Money Across Borders

Read how currency exchange supports trade between nations.

SS6E8.c "Explain why international trade requires a system for exchanging currencies between nations."

NAME ______________________ DATE ____________

1 READ AND MARK

Read it twice

YOUR JOB Circle every occurrence of *Swedish kronor* and *euros* in paragraph 1. Underline the sentence in paragraph 1 that explains why Sofia must convert kronor to euros for the Italian seller.

Coffee Beans Across Europe

1 On a trip to Italy, Sofia owns a café in Sweden and wants to buy coffee beans from an Italian seller. Sofia earns Swedish kronor from her customers, but the seller lists the beans in euros. Countries may use different currencies, even though some European countries share the euro. The seller needs euros to pay workers and local costs. Sofia cannot simply hand over the same number of kronor because a krona and a euro do not have the same value.

2 To complete the purchase, Sofia can use a bank, a currency exchange business, or a payment service. These institutions exchange her kronor for euros at an exchange rate. An exchange rate tells how much of one currency is needed to receive another currency. The rate changes as people, businesses, and banks buy and sell currencies. The service may charge a fee, so Sofia checks the rate and fee before deciding how many kronor she must use to obtain enough euros.

3 Currency exchange makes trade possible when buyer and seller use different money. It gives both sides a way to agree on payment in a currency the seller can accept. In Sofia's purchase, conversion allows the Italian seller to receive euros while Sofia begins with kronor. Without an exchange system, international businesses would need to barter, find sellers willing to take foreign money, or make separate payment deals. Those choices would slow trade and make prices harder to compare.

2 ANSWER WITH EVIDENCE

Use the passage

1. Why cannot Sofia pay the Italian seller with the same number of kronor as the number of euros listed for the beans?

2. What does an exchange rate tell Sofia?

3. Name two types of institutions Sofia could use to exchange her kronor for euros.

4. How would trade be harder without a system for exchanging currencies? Give one effect from the passage.

3 YOUR TURN

Your own words

A buyer in Latvia uses euros and wants to buy wooden toys from a seller in Poland who prices them in Polish zloty. Write three sentences explaining why the buyer needs currency exchange and how it helps both people complete the trade.

PART 1 · READ AND MARK

Circle every occurrence of *Swedish kronor* and *euros* in paragraph 1. Underline the sentence in paragraph 1 that explains why Sofia must convert kronor to euros for the Italian seller. Accept any marking that follows this job and points at the right text.

PART 2 · ANSWERS

#	QUESTION	ANSWER
1	Why cannot Sofia pay the Italian seller with the same number of kronor as the number of euros listed for the beans?	**A krona and a euro do not have the same value.**
2	What does an exchange rate tell Sofia?	**It tells how much of one currency is needed to receive another currency.**
3	Name two types of institutions Sofia could use to exchange her kronor for euros.	**Any two: a bank, a currency exchange business, or a payment service.**
4	How would trade be harder without a system for exchanging currencies? Give one effect from the passage.	**Businesses might need to barter, find sellers that accept foreign money, or make separate payment deals. Trade would be slower and prices would be harder to compare.**

PART 3 · YOUR TURN (SAMPLE ANSWER)

The Latvian buyer has euros, but the Polish seller wants payment in zloty. A bank or payment service can exchange euros for zloty using an exchange rate. This lets the seller receive usable money, so the sale can happen.

Accept answers that explain that the buyer and seller use different currencies with different values and that an exchange system converts payment into a currency the seller can use. For the open response, accept any accurate explanation using euros, Polish zloty, and a bank, exchange business, or payment service.