Currency Across Borders

How exchange systems make trade between nations possible

SS7E2.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 reason a business needs currency exchange, and circle words that show what an exchange rate helps traders do.

Making Money Work Across Borders

1 When a business in Ghana sells cocoa to a company in Morocco, the two countries usually use different money. Ghana uses the cedi, while Morocco uses the dirham. The Moroccan buyer may pay in dirhams, but the Ghanaian seller needs cedis to pay workers and local bills. Before the sale can be completed, someone must exchange one currency for the other. International trade therefore needs a way to turn money from one nation into money another nation can use.

2 An exchange rate tells how much of one currency can be traded for another at a certain time. For example, a bank or currency exchange service can convert a payment so each business receives usable money. Exchange rates can change as economic conditions change. If a seller does not know the rate, the seller may not know how many home-country currency units a foreign payment will become. A clear exchange system helps traders calculate costs, set prices, and decide whether a deal is worthwhile.

3 Currency exchange also makes payment records clearer. A buyer, seller, and bank can agree on the currency used for a price and the rate used to convert payment. This lowers confusion when money crosses borders. Without a dependable system, a buyer might send money the seller cannot easily spend, or the two sides might disagree about the payment's value. A system for exchanging currencies does not guarantee a profit, but it makes international buying and selling possible and more predictable.

2 ANSWER WITH EVIDENCE

Use the passage

1. Why does the Ghanaian cocoa seller need to exchange Moroccan dirhams for cedis?

2. What information does an exchange rate provide?

3. What problem could occur if a seller does not know the exchange rate before accepting a foreign payment?

4. How can an agreed currency and exchange rate make an international trade deal more predictable?

3 YOUR TURN

Your own words

A clothing shop in Senegal buys fabric from a seller in Egypt. Write four sentences explaining the currency problem the businesses face and how an exchange system can help. Include what an exchange rate does and one way the system makes the deal more predictable.

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PART 1 · READ AND MARK

Underline each reason a business needs currency exchange, and circle words that show what an exchange rate helps traders do. Accept any marking that follows this job and points at the right text.

PART 2 · ANSWERS

#	QUESTION	ANSWER
1	Why does the Ghanaian cocoa seller need to exchange Moroccan dirhams for cedis?	**The seller needs cedis to pay workers and local bills in Ghana.**
2	What information does an exchange rate provide?	**It tells how much of one currency can be traded for another at a certain time.**
3	What problem could occur if a seller does not know the exchange rate before accepting a foreign payment?	**The seller may not know how many units of home-country currency the foreign payment will become.**
4	How can an agreed currency and exchange rate make an international trade deal more predictable?	**They make the payment value clear, reduce confusion, and help traders calculate costs and set prices.**

PART 3 · YOUR TURN (SAMPLE ANSWER)

A clothing shop in Senegal may pay an Egyptian fabric seller in Egyptian pounds, while the shop earns West African CFA francs. A bank can exchange the CFA francs for Egyptian pounds using an agreed exchange rate. The rate shows how many CFA francs are needed for the payment. This system lets both businesses know the payment value and use the money they receive.

Accept equivalent explanations that international traders use different currencies and need conversion into usable money. For the open response, accept any accurate currency example and a clear explanation of an exchange rate, payment value, or predictability.