Money Across Borders

How currency exchange makes international trade possible

SS7E8.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 statements that explain why a buyer or seller needs another currency, and circle the names of currencies involved.

Paying Across Countries

1. A store in Thailand may buy computer parts from a company in South Korea. The Thai buyer earns baht, while the Korean seller pays workers and bills in won. The seller cannot usually use baht for those expenses. Before the parts can be paid for, the two businesses need a way to exchange baht for won. International trade connects goods, but payment must also cross national currency systems. This exchange makes a sale possible even when each side uses different money.

2. Currency exchange can happen through banks or foreign-exchange markets. A bank may use an exchange rate, which tells how much of one currency can be traded for another. Rates change as people and businesses demand different currencies. If a Thai importer needs more won to pay a Korean seller, it exchanges baht at the current rate. The Korean seller can then use won at home. Exchange services reduce the problem of accepting money that is not useful locally.

3. Currency exchange also helps buyers compare prices and plan costs. Suppose a Japanese company sells bicycles to a customer in India. The customer needs to know how many Indian rupees equal the price in Japanese yen. The company needs yen to pay its costs in Japan, so payment in rupees alone may not work. By exchanging rupees for yen, the customer can pay in the seller's currency. A shared exchange system lets both sides complete the trade without abandoning their own national money.

2 ANSWER WITH EVIDENCE

Use the passage

1. Why could the South Korean seller not usually use Thai baht to pay its workers and bills?

2. What does an exchange rate tell businesses?

3. How does exchanging baht for won help the Thai importer and the Korean seller complete their trade?

4. In the bicycle example, why might payment in Indian rupees alone not work for the Japanese company?

3 YOUR TURN

Your own words

Create a trade example between two different countries. Write exactly three sentences that name the product, name both currencies, and explain how exchanging currency lets the buyer pay the seller.

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PART 1 · READ AND MARK

Underline statements that explain why a buyer or seller needs another currency, and circle the names of currencies involved. Accept any marking that follows this job and points at the right text.

PART 2 · ANSWERS

#	QUESTION	ANSWER
1	Why could the South Korean seller not usually use Thai baht to pay its workers and bills?	**The seller pays workers and bills in won, so baht is not usually useful for its expenses in South Korea.**
2	What does an exchange rate tell businesses?	**It tells how much of one currency can be traded for another currency.**
3	How does exchanging baht for won help the Thai importer and the Korean seller complete their trade?	**The importer gets won to pay the seller, and the seller receives won that can be used at home.**
4	In the bicycle example, why might payment in Indian rupees alone not work for the Japanese company?	**The Japanese company needs yen to pay its costs in Japan, so it may not be able to use rupees directly.**

PART 3 · YOUR TURN (SAMPLE ANSWER)

An Indonesian coffee company buys packaging machines from Vietnam. It exchanges Indonesian rupiah for Vietnamese dong so the Vietnamese seller can pay local costs. Currency exchange lets the buyer purchase the machines while each business uses its own national currency.

Accept any accurate example that names two countries, a traded product, and the currencies needed by the buyer and seller. The explanation must show that currency exchange allows payment when the nations use different money.