Money Across Borders

Why international trade needs currency exchange

6.E.3 "Explain why international trade requires a system for exchanging currency between various countries."

NAME _____ DATE _____

1 READ AND MARK

Read it twice

YOUR JOB Underline one reason the farmer needs cedis and one problem that could happen without currency exchange. Circle the sentence that shows how an exchange rate helps the chocolate maker plan a payment.

From Cocoa Beans to Chocolate

1. A chocolate maker in the United States orders cocoa beans from a farm in Ghana. The maker collects dollars from stores that buy its chocolate. The farmer, however, pays local workers and buys supplies in Ghanaian cedis. If the maker sends dollars, the farmer may need to trade those dollars for cedis before paying these costs. This does not mean people must always pay in the seller's currency. It means money from one country often has to be exchanged when goods cross borders.

2. Banks and other currency exchange services make that trade possible. An exchange rate tells how much of one currency can be traded for another. Before the chocolate maker pays, it can check a rate to estimate how many dollars it will need for the cedis the farmer wants. The rate may change over time, and a service may charge a fee. Knowing the rate and possible fee helps both sides agree on a price and prepare for the payment.

3. Imagine that no reliable way to exchange dollars for cedis exists. The farmer might receive dollars but struggle to use them to pay workers who expect cedis. The maker might not know how many dollars would settle the bill. The deal could be delayed or never happen, even though the maker wants cocoa and the farmer has beans to sell. A currency exchange system connects buyers and sellers who use different money, so goods can move between countries and payments can be useful to both sides.

2 ANSWER WITH EVIDENCE

Use the passage

1. Why might the farmer need to exchange dollars received from the chocolate maker?

2. How does checking an exchange rate help the chocolate maker prepare to pay the farmer?

3. Why should the maker consider both the exchange rate and a possible fee before agreeing on a price?

4. Why could the cocoa deal fail if there were no reliable way to exchange currency?

3 YOUR TURN

Your own words

Imagine a Canadian shop buys handwoven bags from a maker in India. Write 3 or 4 sentences explaining how exchanging Canadian dollars and Indian rupees helps them complete the trade and what might happen without a reliable exchange system.

ANSWER KEY

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GRADE 6 · 6.E.3

PART 1 · READ AND MARK

Underline one reason the farmer needs cedis and one problem that could happen without currency exchange. Circle the sentence that shows how an exchange rate helps the chocolate maker plan a payment. Accept any marking that follows this job and points at the right text.

PART 2 · ANSWERS

#	QUESTION	ANSWER
1	Why might the farmer need to exchange dollars received from the chocolate maker?	**The farmer needs cedis to pay local workers and buy supplies.**
2	How does checking an exchange rate help the chocolate maker prepare to pay the farmer?	**It helps the maker estimate how many dollars it will need for the cedis the farmer wants.**
3	Why should the maker consider both the exchange rate and a possible fee before agreeing on a price?	**The rate and any fee affect how many dollars the maker will need to complete the payment.**
4	Why could the cocoa deal fail if there were no reliable way to exchange currency?	**The farmer could struggle to use dollars to pay workers, and the maker might not know how many dollars would settle the bill.**

PART 3 · YOUR TURN (SAMPLE ANSWER)

The shop earns Canadian dollars, but the bag maker may need Indian rupees to pay for materials. An exchange system helps them work out a payment and turn the shop's dollars into money the maker can use. Without a reliable way to exchange the money, they might have trouble agreeing on payment, and the sale could fall through.

Accept answers that explain the need for usable currency, not just that the countries have different money. For Part 3, students should connect exchange to both completing payment and avoiding a possible trade problem.