



# TeeJay Publishers

## Financial Maths - Life Skills

# Foreign Currency UNIT

MNU 3-09a

## CfE Level 3 - Lesson Plan

Produced for TeeJay Publishers by Pamela Fraser, Financial Education Training Officer, Dumfries & Galloway.



# Guidance Notes for Teachers

## Managing a Foreign Currency Lesson

**Lesson Objective:** By the end of the lesson, pupils will be able to use currency conversion rates, and they will be able to compare and contrast travel money services to identify the best value for money.

**Curriculum for Excellence Money Outcomes: MNU 3-09a** When considering how to spend my money, I can source, compare and contrast different contracts and services, discuss their advantages and disadvantages, and explain which offer best value to me.

### Lesson Introduction

Every country has their own currency. In the UK we use pounds sterling, USA has the dollar and in parts of Europe they use the Euro. While countries have different units of currency they all do still have to trade and transact business together, so there needs to be a consistent method of calculating the rate of exchange between currencies. The method used is the **International Exchange Rate**.

The exchange rate is set each day to determine how the currencies equate to each other. In other words, how many units of the particular country's currency there are equal to £1 and vice versa. Companies and businesses use the exchange rate daily and monitor it closely for changes to make sure that they make the best deal for the least cost to themselves.

Many things can impact on the exchange rate and affect those changes in monetary value. Long term instability in countries as a result of war, political unrest or economic insecurity can lower the value of the currency against more stable countries' currency. Other factors can be high unemployment, a reduction in supply of goods to overseas etc.

To most of us, these are things which we do not have to worry about or even think about. Until we decide to go abroad on holiday that is, then we will have to be aware of the best time to buy our currency, where to buy it from and the true cost of items when we are abroad (the cost equivalent in £s).

Going on holiday overseas can be expensive. It's important when we are in a foreign country that we know how much we are actually spending. Would you really want to pay £6.00 for an ice cream? To calculate how much something in Euros costs in £s, you will need to **multiply** the amount in £s by the euro rate. To calculate how much something in £s costs in Euros **divide** the cost by the euro rate.

### Discussion

Once the introduction has been completed with the class, the attached discussion notes sheet will assist you in opening up the topic of foreign currency and exchange rates with your class. The discussion notes will ensure that that the pupils understand how to convert pounds sterling to a currency and currency to pounds sterling.

### Worksheet - Pupil Activity

The pupil worksheet will provide opportunity for the pupils to practise these calculations. By working through the various questions, pupils will have to contrast and compare travel money spending and evaluate the advantages and disadvantages in order to choose value for money.

The questions are set around a scenario using real life monetary figures.

### Plenary

This sheet summarises the lesson's learning and highlights the key points of travel money and foreign currency exchange rates.

*Pamela Fraser*

# Discussion Notes

## Foreign Exchange

**Q1:** Where would you find out the current rate of exchange for a currency ?

**A:** The Business section of newspapers, foreign exchange sites, banks, bureau de change, at a post office, at the airport etc ....

**Q2:** If you know that £1 = €1.25, how would you calculate how many Euros you would get for £100 ?

**A:** You would multiply the exchange rate by the number of £'s.  
In this example,  $100 \times €1.25 = €125$ .

**Q3:** The rate of exchange you were offered from your bank for buying Euros was different to the rate you checked on the business website. Why is this ?

**A:** Banks sell Euros to make a profit. The banks buy in Euros at one rate and sell them to the public at a higher rate to recoup their money and make a profit. The rate you receive from them means you will get less Euros for your money. Shop around.

**Q4:** What do you do with any foreign currency you have left when you get back from your holiday ?

**A:** You can exchange your foreign currency back into £'s - usually you will do this at a bank, post office or travel agents. It does not need to be at the same place you bought the currency from. (*Generally, notes only*). The exchange rate for buying back £'s will be different from the selling rate, because the rate may have changed and yet again the bank etc. will want to make a profit. Generally you will be charged a fee for this.

**Q5:** If you don't want to take a lot of money with you, how else could you pay for things abroad ?

**A:** Travellers cheques (a pre-paid cheque in the currency of the country), which can be cashed for money (identification is required when using these).  
- credit cards. Debit cards can be used in ATM machines for withdrawing foreign currency. Prepaid travel cards can be used - you put money on the card before you go abroad and use this to pay for meals in restaurants etc ...

### Supplementary Questions

**Q6:** Carrying a lot of money around with you is always a risk, but what can you do to protect your currency whilst abroad ?

Answers will vary but should include :- buy travel insurance before you go on holiday, part of which covers you for lost or stolen money up to a certain value. Wear a money belt. Leave some of your money in the hotel safe. Don't flash your money around.

**Q7:** What impact could a sudden change in the exchange rate have on your spending money ?

Decrease :- You might need to cut back on activities as you can no longer afford to do everything you wanted to. - Less Euros, etc. for your £.  
Increase :- You might save money as things will be cheaper to buy so you spend less. You could spend more money on other activities or buy more presents.

# Foreign Currency Worksheet

Eve is a single mother of two young boys Alfie and Finn. Using her savings, Eve has treated her family to a week's holiday. With the holiday to Spain booked at the travel agent, Eve now thinks that she should start organising the currency that she will need for the trip.



1. Eve knows that Spain is a country in Europe which uses the Euro. Checking on the internet, she discovers that £1 equals €1.27. So how many Euros should she expect to get when she exchanges the £500 she has saved for spending money?
2. Eve has £500 to buy her Euros with. She has limited her choices to a local bureau de change at the travel agents and a travel money website on the internet.

## Ernie - the Travel Agent

- Rate of Exchange : £1 = €1.24
- No Delivery Charge
- Customers must collect at branch
- Maximum order - £500

## [www.getmeeuros.co.uk](http://www.getmeeuros.co.uk)

- Rate of Exchange : £1 = €1.29
- £4.00 delivery charge
- 48 hour delivery time
- No maximum order

- a Compare the offers for Eve. Which option should she choose and why ?
  - b How many Euros will Eve receive using her chosen provider ?
3. A week later, Eve and the boys arrived in Spain and are in the Spanish airport.
    - They need to get to their hotel and can either go by airport shuttle bus or a taxi.
    - The shuttle bus costs €11.50 for an adult and €5.50 for a child.
    - The taxi would cost €30. The exchange rate is now €1.265 = £1.
    - a How much would it cost in £s for the family to travel by bus ?
    - b What is the difference in £s between the bus and the taxi prices ?
  4. The family takes the bus to the hotel. Once they get settled in, Eve sits down to calculate how much they have to spend for each day of their holidays.
    - a How many Euros do Eve and her family have to spend each day ?
    - b What is the equivalent amount in £s per day ?



5. Eve has budgeted that the family can spend £25 per night on an evening meal. They find a nice restaurant and Eve has a look at the menu.

- a Could Eve afford to have 3 courses from the menu with a £10 budget ?
- b If she increases her budget to £15, list 4 possible combinations of three courses she can now afford to buy for herself.
- c The boys choose fish & chips and burger & chips followed by an ice cream sundae and a chocolate cake. Eve has soup, spaghetti and apple pie.  
How much will Eve pay in Euros for herself, Finn and Alfie ?
- d How much change will she have in British money from her £25 budget ?

<i>Viva Espania</i>	
<b>STARTERS</b>	
Soup	€5.00
Garlic Mushrooms	€6.25
Prawn Cocktail	€6.00
<b>Main Dishes</b>	
Spaghetti Bolognese	€8.00
Fish & Chips	€10.50
Roast Chicken Salad	€12.00
<b>Deserts</b>	
Chocolate Mousse	€6.00
Ice Cream	€3.50
Apple Pie & Cream	€5.00
<b>Children's</b>	
Burger & Chips	€3.50
Fish & Chips	€3.50
Ice Cream Sundae	€2.00
Chocolate Cake	€2.50

6. Eve and the boys plan a trip to the local theme park.

Entry to the park is €8.75 per adult and €5.50 per child.

Assume the rate of exchange is still €1.265 = £1.

- a How much does it cost in £s for the family to get into the park ?
- b The boys each have £10.00 to spend in the park. Finn wants to buy 3 Fasterpasses for the biggest rides but they cost €3.50 each. Can he afford them ?
- c Alfie spends his money on a burger & fries at €2.95, one Fasterpass at €3.50 and an ice cream costing €1.80. How much change in £s does he have back ?

7. Eve and the boys have a great holiday.

When they get home Eve checks the money she has left. She has €62 that she needs to exchange back to £s.

The bureau de change in town will buy her Euros back at €1.23 per £1.

They also charge a £3.00 handling charge for exchanging the money.

How many £s does Eve get back ?



# Foreign Exchange Worksheet - Answers

1. €635 .
2. a Internet website is offering the better offer more Euros per £.  
You end up with €19·84 more.  
No hassle as money delivered to your door.  
b  $£500 - £4 \text{ charge} = £496 \times €1·29 = €639·84$ .
3. a €22·50. (£17·79)  
b  $€30 - €22·50 = €7·50$ ;  $€7·50 \div €1·265 = £5·93$ .
4. a  $€617·34 \div 7 \text{ days} = €88·19$ .  
b  $€88·19 \div €1·265 = £69·71$ .
5. a No the cheapest options cost €16·50.  $€16·50 \div €1·265 = £13·04$ .  
b Soup, Spaghetti Bolognese and Apple Pie & Cream  
Soup, Spaghetti Bolognese and Ice Cream  
Prawn Cocktail, Spaghetti Bolognese and Ice Cream  
Garlic Mushrooms, Spaghetti Bolognese and Ice Cream.  
c €29·50.  
d  $£25 - £23·32 = £1·68$ .
6. a £15·61.  
b Yes he can. They cost £8·30.  
c He gets £3·48 back in change.
7. £47·41.



# Summary/Plenary Sheet

The exercise you have just worked through showed you how to convert British pounds into another country's currency by using the exchange rate. By using the exchange rate we can then consistently ascertain the value of an item across countries worldwide.

For most of us, foreign currency and its exchange rate to the pound will only become important when we are on holiday overseas. Calculating the sterling equivalent of an item costs before you buy it, even when you are on holiday, is good money management. By quickly working out the cost in British money, you might save yourself money and avoid being ripped off !

## Questions to Assess Student Understanding

What are the advantages of shopping around for the best place to buy your currency ?

- *Better rates - more currency for your pounds.*
- *Avoid hidden charges such as delivery or booking fees.*
- *Some places have minimum order amounts which may be more than you want to exchange.*
- *Less common currencies may have to be ordered in especially.*

What does it mean for the Euro to be "weak" against the £ ?

- *The Euro is worth less than before.*
- *You would get more Euros for each of your British pounds.*
- *British people would find items to be cheaper to buy when they are on holiday in Europe.*

When you exchange £s into a currency, why should you not convert too much ?

- *You will have to change any money that you haven't spent back into £s which will involve charges and cost more money.*
- *Having too much available money may encourage overspending impacting on your budget.*
- *Travelling with too much cash could put you at risk of pickpockets/losing your money etc ....*

## Recap on Key Learning Points

- Money can be exchanged into currency at banks/post offices/travel agents and through internet websites.
- Rates of exchange fluctuate all the time and are influenced by a variety of factors.
- To convert £s to currency - **multiply** the amount of £s by the currency exchange rate.
- To convert currency to £s - **divide** currency amount by the currency exchange rate.

## Extended Learning

For teachers wishing to further the lesson by issuing homework or extended learning opportunities to pupils, the following are suggested activities :-

- Pupils can use the internet to find out the countries in Europe which do not use the Euro and identify the currencies used in each of these countries.
- Provide pupils with a list of 10 countries worldwide and ask them to find out the cost of a daily item e.g. a cup of coffee in each of the countries. Pupils should convert the cost into £s and list the countries in order from most expensive to cheapest.
- TeeJay's Book 3b, Chapter 2.