4.6 Currency and Exchange Rates

Different countries use different **monetary units** and/or different **currencies**. It is important when travelling to consider **exchange rates**, or the value of one monetary unit compared to another.

Examples

→ canadian dollars

Ex 1. Tosh purchased $500.00 CAD worth of parts from Hungary for use in his garage. If the exchange rate is one Canadian Dollar to 212.66 Hungarian Forints (Ft), how many Forints will you receive for $500.00 CAD?   1 CAD = 212.66 Ft

$$\frac{\$500 \; CAD}{1} \times \frac{212.66 \, Ft}{1 \; CAD} = \frac{106330 \, ft}{1} = 106\,330 \, Ft$$

Ex 2. One Thai Baht is worth $0.039 CAD. How many Bahts would a tourist in Thailand receive for $200.00 CAD?   ↳ 1 Baht = 0.039 CAD

$$\frac{200 \; CAD}{1} \times \frac{1 \; Baht}{0.039 \; CAD} = \frac{200 \; Baht}{0.039} \div = 5128.2 \, Baht$$

Ex 3. Nate works for an automotive parts distributor and visits Switzerland to source new products. On a given day, the CHF/CAD bank selling rate is 1.0501 (this means 1 Swiss Franc (CHF) = $1.0501 CAD) and the buying rate is 1.0213.   ⤳ 1 CHF = 1.0213 CAD

a) How many Swiss Francs would Nate receive for $400.00 CAD?

＊ Selling CAD.

$$\frac{\$400 \; CAD}{1} \times \frac{1 \; CHF}{1.0501 \; CAD} = \frac{400 \; CHF}{1.0501} = 380.92 \, CHF$$

b) If Nate sold the Swiss Francs back to the bank that same day, how much Canadian would he receive?   ＊ Buying CAD

$$\frac{380.92 \; CHF}{1} \times \frac{1.0213 \; CAD}{1 \; CHF} = \frac{389.03 \; CAD}{1}$$
$$= \$389.03 \; CAD$$

c) What would his net loss be?

original CAD – Final CAD.

$$\$400 - \$389.03 = \boxed{\$10.97}$$

17