

Foreign Exchange Rate Worksheet

The United States uses dollars for money. When people from other countries want to buy goods & services from U.S. firms, they must pay in U.S. dollars. When Americans want to buy foreign products, they must pay in foreign money. People and businesses get the foreign money they need by buying it in foreign-exchange markets. *Foreign-exchange markets* are like other markets in many ways, except instead of buying & selling goods & services, people buy & sell money from different countries. In terms of supply & demand, Americans who want to buy goods from other countries create a demand for foreign currency. People in other countries who want to buy goods from the United States supply their currency in exchange for dollars.

The following table shows exchange rates among the American dollar, the Japanese yen, the Canadian dollar & the British pound from 1996 through 2002:

Year	Japanese yen per U.S. dollar	Canadian dollar per U.S. dollar	British pound per U.S. dollar
1996	108.78	1.36	.64
1998	130.99	1.48	.69
2000	107.73	1.48	.68
2002	124.09	1.54	.69

1. It is 1996. Mr. Booth is watching his favorite movie Pulp Fiction on video, wearing his favorite Purdue sweatshirt, & eating a McDonald's Big Mac. He paid \$20 for the Pulp Fiction video, \$40 for the Purdue sweatshirt, & \$2 for the Big Mac.
 - A) What were Mr. Booth's total expenditures for the 3 goods?
 - B) How many yen would a Japanese tourist have exchanged to purchase the same products?
 - C) How many Canadian dollars would a Canadian tourist have exchanged to purchase the same products?
 - D) How many pounds would a British tourist have exchanged?
2. It is 2002, & prices of the 3 goods have not changed in the U.S.
 - A) What are the new prices in Japanese yen?
 - B) What are the new prices in Canadian dollars?
 - C) What are the new prices in British pounds?
3. Describe what happened to the amounts the tourists would spend in 2002 compared with the amounts they spent in 1996 in each of the foreign currencies.
4. According to the figures in the table, what happened to the value of the U.S. dollar compared with the Japanese yen between 1996 & 1998, 1998 & 2000, & 2000 & 2002?