

Module 4 Summary

Foreign exchange

Summary

Chapter 1: Foreign exchange and its value to the South African economy

Unit 1: Key concepts in foreign exchange

- Currency refers to the main notes and coins used as a medium of exchange in a particular country.
- Local currency is the currency used by citizens of a particular country. For example, in South Africa the local currency is South African rand (R).
- Foreign currency is money of another country.
- Foreign exchange is the act of exchanging currency of one country for its equivalent value in another (foreign) currency.
- Exchange rate is the value of a currency in relation to other currencies. The exchange rate is the price (the rate) at which one currency is exchanged for another.
- Informal fluctuations refer to exchange rates that fluctuate according to the supply of the local currency and tourist demand for the currency.

Unit 2: Major currencies of the world

Country	Currency code	Unit	Symbol
Australia	AUD	Australian Dollar	A\$
Eurozone	EUR	Euro	€
Japan	JPY	Japanese Yen	¥
South Africa	ZAR	South African Rand	R
United Kingdom	GBP	British Pound	£
United States of America	USD	US Dollar	\$

Unit 3: Facilities where foreign currency can be exchanged

- Foreign exchange bureaus (or bureaux de change)
- Commercial banks and automatic teller machines (ATMs)
- Major hotels, holiday resorts and cruise liners

Unit 4: Benefits of foreign exchange to the local economy

- The multiplier effect
- The direct and indirect effect

Chapter 2: Interpreting and converting currencies

Unit 1: Converting major currencies to South African Rand

The exchange rate or rate of exchange (ROE) of a currency is the price of one currency expressed in terms of units of another currency. It is the price at which someone can buy foreign currency using their local currency. Foreign visitors to South Africa use the rate of exchange to work out how many Rand they can buy for their local currency.

Unit 2: Interpreting currency rates sheets

Foreign exchange bureaus get the exchange rates daily in the form of a currency rates sheet.

Revision

- Which of the following is NOT a facility where foreign currency can be exchanged?
 - Commercial banks and ATMs
 - Major hotels and holiday resorts
 - On board aircraft
 - Foreign exchange bureaus (1)
- The name given to the money exchange facilities located at airports and in shopping centres. (1)
- The value of a currency in relation to others. (1)
- Another country's money. (1)
- A South African businessman is heading to a conference in the USA. He requires R15 000 in foreign currency for spending money and expenses.
 - List the facilities where he can exchange money. (6)
 - At a rate of R8,86 to 1US\$, calculate to two decimal points how much will the businessman need? (5)

Total marks = 15