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# Foreign Exchange

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# Currency

❖ **Can you tell me which country uses what currency?**

❖ **Each one will have 4 riyal notes.**

\$1  
One  
Saudi Arabian  
Riyal  
\$1

\$1  
One  
Saudi Arabian  
Riyal  
\$1

\$1  
One  
Saudi Arabian  
Riyal  
\$1

\$1  
One  
Saudi Arabian  
Riyal  
\$1

# **Classroom Buck**




- ❖ **There are three candies for sale.**
- ❖ **The price of the candies is one Classroom Buck.**
- ❖ **You cannot purchase candies with your riyals.**
- ❖ **How can you solve this problem?**

# Auction

- ❖ **There are three candies for sale.**
- ❖ **One student will be the banker to exchange currencies.**
- ❖ **One student will serve as a tally keeper.**



1. When you have sold all three Bucks, record the prices on the board.
2. Tell students that they can purchase candies with their Bucks if they wish to. (Some students may choose to hold onto their Bucks and not buy a candy. This is O.K.)

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- ❖ **I will return the riyals to those who have used their riyals in the first round to buy Classroom Buck.**
  - ❖ **You will get another four riyals.**
  - ❖ **Make sure you have eight riyals.**

# Second Round

- ❖ **Now, there are another three candies for sale. The price is one Classroom Buck.**
- ❖ **You can start your auction again.**



1. 再一次用沙地阿拉伯貨幣來兌換「課室貨幣」。讓拍賣進行，直到學生的出價高於第一回合之價格。
2. 讓學生隨他們的意願用「課室貨幣」去購買糖果。
3. 記錄第二回合售賣「課室貨幣」之價格於黑板上。

# Third Round



❖ **Now, you will get another four riyals.**

❖ **Now, there are another three candies for sale. The price is one Classroom Buck.**

❖ **You can start your auction again.**

# Discussion



❖ **What was a Buck worth in this activity?"**

➤ **The correct answer is one candy. Money is worth the goods and services for which it can be exchanged.**



# Discussion



- ❖ **How can we best express the relationship of riyals to bucks?**
  - **Number of riyals paid-one buck bought.**
  - **One buck bought-number of riyals paid .**

# Discussion



- ❖ **Do you know how relative values of international currencies are expressed?**
- **Exchange Rate – is the value of one national money in terms of another.**

# Exchange Rate

## ❖ Sources:



- **The currency rate tables from the business section of the daily newspaper**
- **The daily rates on the Internet at CNN Financial Online**

<http://money.cnn.com/markets/currencies/>

# Discussion



- ❖ **How the value of riyals to bucks was determined in round one?**
  - **Supply and demand**
  - **Competition**
  - **Market interactions of buyers and sellers**

# **Discussion**



**❖ How are actual international exchange values determined?**

**➤ Through the interaction of buyers and sellers of currencies.**

# Discussion



- **In many international transactions of goods and services the purchaser must pay in the currency of the country selling the product or service, just as they had to pay in Classroom Bucks to buy a candy.**

# Discussion

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- ❖ **What happened to the value of the riyal relative to the buck in rounds 2 and 3?**
- **The value of the riyal decreased because it took more riyals to obtain a buck.**

# Discussion

- ❖ **Did the buck gain in value?**
  - **The buck can still purchase one candy, so its domestic value was unchanged.**
  - **However, because it now takes more riyals to purchase a buck, the value of the buck relative to riyals increased.**



# Discussion



- ❖ **In the classroom activity, why do you think the value of the riyal decreased relative to the buck?**
  - **The demand for bucks increased, i.e. people were willing and able to give up more riyals in rounds 2 and 3 than in round 1.**
  - **The supply of riyal increases.**

# Discussion



- **Money market is similar to good market in the sense that the value/price of a currency also depends on its demand and supply.**

# Discussion



- ❖ **What caused the change in demand for Classroom Buck?**
  - **Teacher gave out more rivals. This action can be seen as a central bank increases the money supply in an economy.**

# Discussion



- ❖ **All in all, what sorts of things might cause the demand for a currency to change?**
  - **Either country prints more or less money, or either country 's goods become more or less desirable are two of many reasons.**