

Handout

Money and currency

Note: Before working with this handout, please read Money and currencies.

Task 1:

Bernhard lives in the town of Bruck an der Mur. He decides to renovate and modernize the family home he inherited from his parents. He wants to use a special type of wood paneling for the facade that only manufacturers in Switzerland sell. The Swiss manufacturer issues its invoices in Swiss francs (CHF). Use the exchange rate chart to complete the tasks below.



- a) As Bernhard doesn't need the wood paneling immediately, he decides to wait a little longer instead of buying it at the beginning of 2024. He finally buys it on February 21, 2024. Was Bernhard's decision advantageous for him? Please explain your answer.

It was advantageous for Bernhard to wait a little longer before buying. On February 21, he received CHF 0.9533 for EUR 1. On January 4, he would have received only CHF 0.9278 for EUR 1. The higher the EUR-CHF exchange rate, the better it is for Bernhard. After all, if the EUR-CHF exchange rate is higher, the euro amount he has to transfer to the manufacturer's bank account for the invoiced amount in Swiss francs is smaller.

- b) Calculate how much Bernhard has to pay in euro on February 21, 2024, (excluding any currency conversion fees) if the amount invoiced for the wood paneling is CHF 14,304.

He has to pay EUR 15,004.72 for the wood paneling (CHF 14,304 / 0.9533).

- c) Calculate how much Bernhard has saved, in euro, or how much additional cost he has had, because of the exchange rate difference.

He would have had to pay EUR 15,417.12 on January 4, 2024, (CHF 14,304 / 0.9278). Therefore, he has saved EUR 412.40 (EUR 15,417.12 – EUR 15,004.72).

Task 2:

Please indicate whether in the situations described below, people would consult the cash or noncash section of the exchange rate table. Identify the correct exchange rate (“We buy” or “We sell”) and calculate the converted amounts.

Use the following exchange rate tables:

		Noncash		Cash	
		We buy	We sell	We buy	We sell
Pound sterling	GBP	0,8370	0,8310	0,8465	0,8235
Swedish krona	SEK	8,8100	8,7300	8,9345	8,6055
Hungarian forint	HUF	307,4000	298,6000	307,7000	297,7000
US dollar	USD	1,2940	1,2840	1,3035	1,2675

Situation	Cash	Noncash	Exchange rate	Calculation
(1) Lisa Hecker is planning a longer trip through Scandinavia and would like to change EUR 500 into Swedish krona (SEK).	x		8.6055 We sell (selling rate)	EUR 500 * 8.6055 = SEK 4,302.75
(2) The Steiners pay GBP 380 for a teak garden bench from a British online shop.		x	0.8310 We sell (selling rate)	GBP 380 / 0.8310 = EUR 457.28
(3) Iris is planning a trip to Budapest and would like to change EUR 150 into Hungarian forint (HUF).	x		297.7000 We sell (selling rate)	EUR 150 * 297.7000 = HUF 44,655.00

<p>(4) Peter is ill and cannot travel to the United States as planned. He now has to change banknotes worth USD 1,200 back into euro.</p>	x		1.3035 We buy (buying rate)	USD 1,200 / 1.3035 = EUR 920.60
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