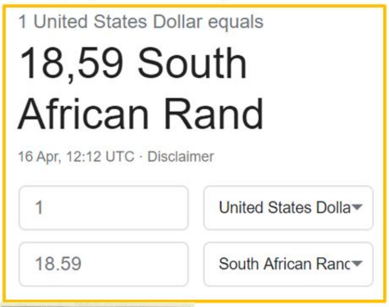
TOURISM
TERM 2

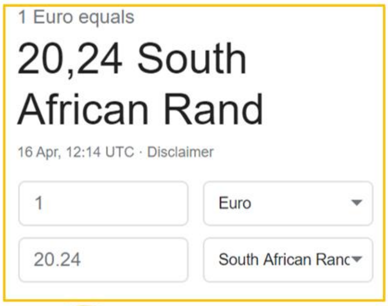
GRADE 12
Topic: Foreign Exchange

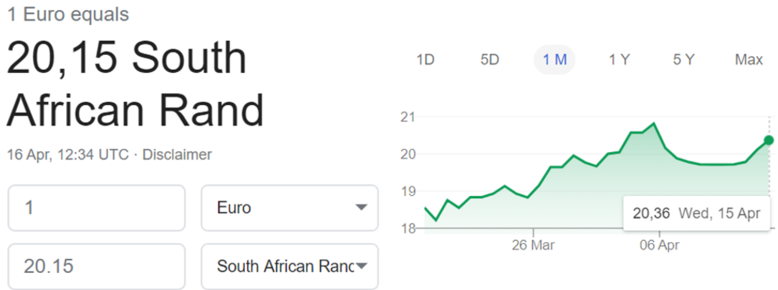
Gr 11: Revision of concepts

Currency	Money, in the form of paper or coins, used as a medium of exchange for goods and services. 
Local currency	The currency of a particular country where a transaction is being carried out. 
Foreign currency	A currency or currencies not belonging to your own country. 

<table>
<tr>
<td>Foreign Exchange</td>
<td>The practice of converting one currency into another currency.


</td>
</tr>
<tr>
<td>Rate of Exchange</td>
<td>The value of one country's currency in relation to another currency.
The RoE will determine how much foreign currency you will receive, when you exchange your money.




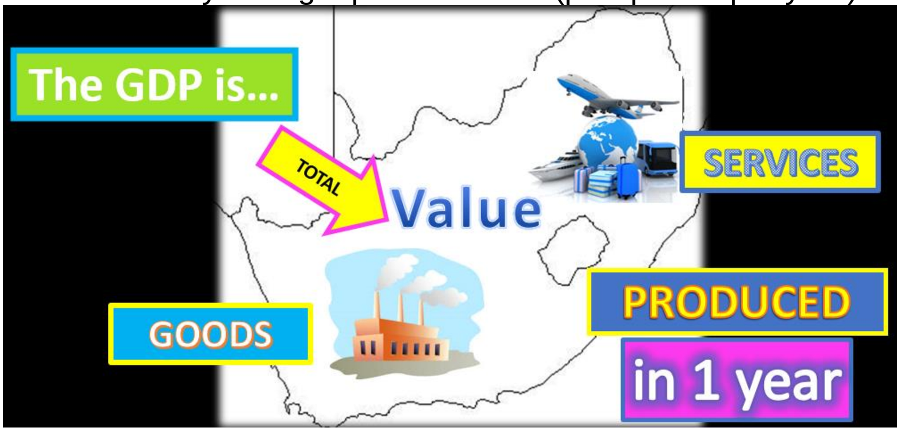
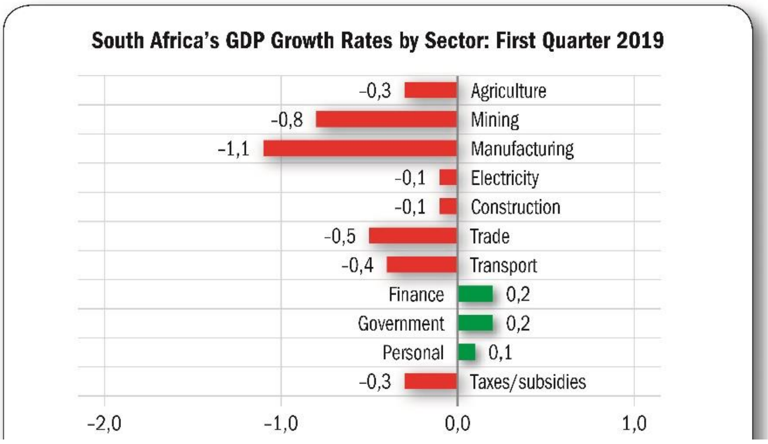
 = R 18.59
 = R 20.24
</td>
</tr>
<tr>
<td>Fluctuation</td>
<td>Changes in currency value in relation to another currency.


</td>
</tr>
</table>

Province of the EASTERN CAPE EDUCATION

GRADE 12

Topic: Foreign Exchange

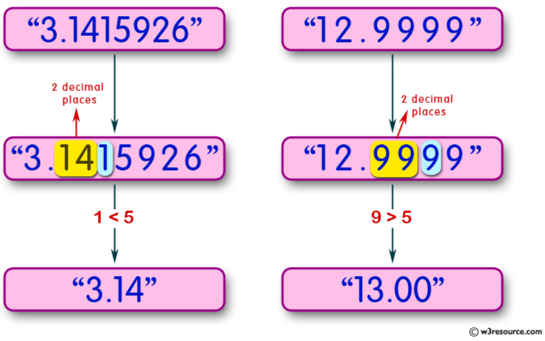
Gross Domestic Product (GDP)	The GDP is the total value of all goods and services produced within a country during a period of time (per quarter/per year). 
The GDP is used to measure economic progress in a country	• If GDP is rising, the economy is good, and the nation is moving forward • If GDP is down, the economy is in trouble and the nation is losing ground 
Benefits of GDP growth to SA economy	• Income generation • Employment / job creation • Infrastructure improvement • Skills development

The Multiplier Effect	The multiplier effect is when money, spent by tourists, filters down through the economy benefitting employees and other businesses  Tourists spend money when traveling. ⇩ This money goes into the local economy. ⇩ This money is then spent by local businesses to purchase goods and pay employees. ⇩ This re-spending of the money expands the local economy, creating the multiplier effect.
The multiplier effect and its link to the GDP	• The value of expenditure is multiplied and has a positive economic effect • Money spent in a particular area helps to create jobs • The jobs, in turn, create demand for other products & services in the local economy • Money therefore filters through to all levels of the economy
The buying power of the Rand	• The amount of foreign currency you can buy with your Rand is referred to as the buying power of the Rand • If the Rand can buy a lot of the other currency, we say the Rand is strong in relation to the other currency • If the Rand can only buy a little of a particular currency, we say that the Rand is weak in relation to that particular currency

If the Rand is strong… 	• the foreign tourists will receive less Rand's for their currency • foreign tourists will have less money to spend • inbound tourists will visit for a shorter period or will not visit at all • tourism will contribute less to South Africa's GDP and the economy will decline • it can lead to job losses
If the Rand is weak…  	• it will attract more inbound international tourists to South Africa • foreign tourists will receive more Rand's for their currency • foreign tourists will have more money to spend (greater spending power) in the local economy during their visit • a greater demand for tourism products and services is created as the international tourists will spend more in South Africa • foreign tourists will get more value for their money and will therefore spend more • an increased demand for tourism products will lead to a growth in the GDP and will have a positive impact on the economy • more job opportunities are created • tourists can retain their original budget and have more money at their disposal • tourists will be able to reduce their original budget making their trip less expensive • tourists will use this opportunity to purchase more foreign currency needed for the intended journey • tourists might extend their length of stay
The relative strength or weakness of a currency at specific times	This can be influenced by: • Political unrest / instability / acts of terrorism / high crime rates • Natural disasters / drought / water crisis • Unforeseen events / disease outbreak / economic recession • Negative credit ratings / junk status • Corruption in government • Discovery of new or large amounts of mineral resources • Hosting of successful global events • Interest rates • Positive / negative image of the country in media reporting

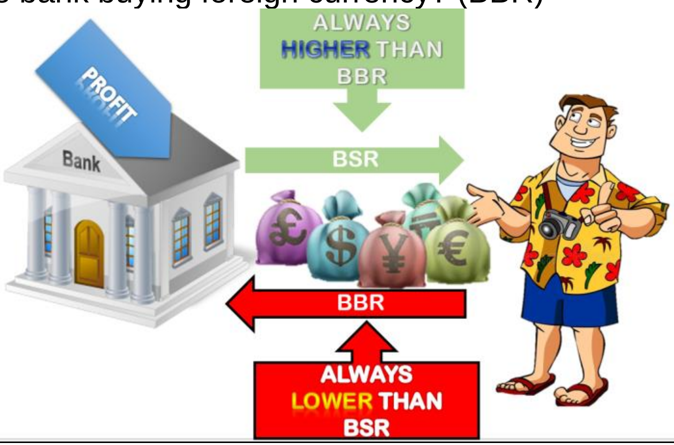
<table>
<tr>
<td>Interpret a currency rate sheet</td>
<td>

A currency rate sheet is a list of the rates of exchange (RoE) at which foreign currencies are bought and sold.
This rate will determine how much foreign currency you will receive, when you exchange your money.
Foreign currencies are displayed by a three-letter code
The first two letters refer to the name of the country and the 3rd letter refers to the currency
Most currencies also have a symbol to indicate the currency

<table>
<tr><th></th><th></th><th></th><th colspan="2">EXCHANGE RATE</th></tr>
<tr><th>Currency</th><th>Code</th><th>Symbol</th><th>Bank Buy</th><th>Bank Sell</th></tr>
<tr><td>U.S. DOLLARS</td><td>USD</td><td>$</td><td>18.14</td><td>19.14</td></tr>
<tr><td>BRITISH POUNDS</td><td>GBP</td><td>£</td><td>22.56</td><td>23.94</td></tr>
<tr><td>EURO</td><td>EUR</td><td>€</td><td>19.55</td><td>20.89</td></tr>
<tr><td>AUSTRALIAN DOLLAR</td><td>AUD</td><td>$</td><td>11.19</td><td>12.38</td></tr>
<tr><td>CHINESE YUAN</td><td>CNY</td><td>¥</td><td>2.51</td><td>2.77</td></tr>
<tr><td>JAPANESE YEN</td><td>JPY</td><td>¥</td><td>0.17</td><td>0.18</td></tr>
</table>
</td>
</tr>
<tr>
<td>Rounding off to two decimal places</td>
<td>


</td>
</tr>
<tr>
<td>Bank Selling Rate</td>
<td>The rate at which the foreign exchange dealers e.g. commercial banks, will sell foreign currency</td>
</tr>
<tr>
<td>Bank Buying Rate</td>
<td>The rate at which the foreign exchange dealers e.g. commercial banks, will buy foreign currency</td>
</tr>
<tr>
<td>When doing a foreign exchange calculation always look at it from the South African Bank's position</td>
<td>What is the Bank doing with the foreign currency?

Is the bank selling foreign currency? (BSR)
Is the bank buying foreign currency? (BBR)



</td>
</tr>
</table>

Province of the EASTERN CAPE EDUCATION

When doing foreign exchange calculations remember to:

- Identify the currencies that you will be working with in the calculation

Use the exchange rate table below to answer the questions that follow.

EXCHANGE RATE TABLE		
CURRENCY	BBR	BSR
Pound Sterling (GBP)	18.02	18.10

The currency (money) you have

Upon their arrival in South Africa, Gareth and his mother exchanged GBP4000 for South African rand.

Calculate how much they received in rand. Round off your answer to TWO decimals. (3)

The currency (money) you will have after the exchange

- Decide if you must multiply or divide by the Rate of Exchange when doing the calculation
  - Convert from ZAR to a major foreign currency: **DIVIDE**
  - Convert from major foreign currency to ZAR: **MULTIPLY**

Use the exchange rate table below to answer the questions that follow.

EXCHANGE RATE TABLE		
CURRENCY	BBR	BSR
Pound Sterling (GBP)	18.02	18.10

Upon their arrival in South Africa, Gareth and his mother exchanged GBP4000 for South African rand.

Calculate how much they received in rand. Round off your answer to TWO decimals. (3)

- Establish the Rate of Exchange to be used in the calculation:
  - Bank Selling Rate OR Bank Buying Rate

Use the exchange rate table below to answer the questions that follow.

EXCHANGE RATE TABLE		
CURRENCY	BBR	BSR
Pound Sterling (GBP)	18.02	18.10

What is the Bank doing with the foreign currency?

Upon their arrival in South Africa, Gareth and his mother exchanged GBP4000 for South African rand.

Calculate how much they received in rand. Round off your answer to TWO decimals. (3)

- Do the calculation
- Show ALL the steps of your calculation
- Round off your answer to TWO decimal places

The currency you have x BBR = the currency you will have after the exchange

GBP 4 000,00 x 18,02
= ZAR 72 080,00

The effect of exchange rates on international tourism	**Outbound tourists**  South African outbound tourists will be more likely to travel to international destinations. Outbound travel will be more affordable. **Inbound tourists**  South Africa will be regarded as an expensive destination. International inbound tourists may consider travel to cheaper, more value for money destinations. **Outbound tourists**  South African outbound tourists will find it expensive to travel to most international destinations. South Africans will choose destinations where they will receive the greatest value for their money. **Inbound tourists**  Many international inbound travellers will visit South Africa. South Africa will be regarded as a value for money destination.
Fluctuations in exchange rates	• Changes in the value of a currency in relation to another currency ▪ Currencies fluctuate based on supply and demand ▪ Supply and demand are linked to various factors e.g. the country's monetary policy, the rate of inflation, political and economic conditions in the country