NATIONAL BUSINESS INITIATIVE

South African Tourism Institute

Building a tourism nation

South African Tourism Institute • Tel: (011) 803 6010 • Fax: (011) 803 6702
38 Homestead Road / Box 1329, Rivonia, 2128, South Africa • www.sati.web.za
National Business Initiative • Tel: (011) 482 5100 • Fax: (011) 482 5507 • 13th Floor, Metal Box Centre, 25 Owl Street, Auckland Park 2092 • P O Box 294, Auckland Park, 2006, South Africa • www.nbi.org.za

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NATIONAL BUSINESS INITIATIVE

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TOURISM LESSON PLANS

FOREIGN EXCHANGE

Learning Outcome 3: Tourism Geography, Attractions and Travel Trends
Assessment Standard 11.3.5

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Introduction

This teaching guide has been sponsored by American Express Foreign Exchange and will provide you, the educator, with information and tools to assist and enhance your teaching methods.

It is linked to learning outcome 3, assessment standard 11.3.5 of the new National Curriculum Statements. Although Grade 11 learners are not actually required to perform foreign exchange calculations, some calculations have been included in this teaching guide. You the educator should make a decision as to whether you would like your Grade 11 learners to start practising foreign exchange calculations.

Learning outcome 3: Tourism Geography, Attractions and Travel Trends

The learner is able to source, analyse and critically evaluate information on physical features, attractions, travel trends and the impact that events/occurrences have on a destination.

Assessment Standard 11.3.5: Grade 11

The learner is able to examine the buying power of the South African Rand in relation to other currencies and its effect on tourism.

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Foreign Exchange

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This teaching guide provides information in the following categories:

- Icon 1: Information
- Icon 2: Teacher guidelines
- Icon 3: Learner activities
- Icon 4: Case studies and questions
- Icon 5: Ideas and learning activities
- Icon 6: Portfolio activity
- Icon 7: Lesson Planning
- Icon 8: Assessment Rubric

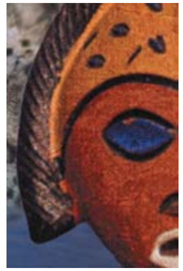
The teaching guide is linked to the lesson plan at the end of the booklet. The lesson plan can be delivered using the information and tools supplied for your benefit in the following pages.

By the end of this lesson, your learners will be able to:

Outcome	Outcome is achieved when the learner
1. Explain the terms 'buying power,' 'currency,' 'foreign exchange' and 'travel trends.'	• Defines and explains the terms. • Interprets Case Study 1: Foreign Exchange and provides suitable solutions/answers
2. Evaluate how foreign exchange impacts upon the buying power of tourists and consequently on travel trends.	• Successfully completes: - Case Study 1: Foreign Exchange - Case Study 2: Buying Power - Case Study 3: Travel Trends
3. Explain the different methods of paying for goods and services when travelling in other countries and discuss the advantages and disadvantages of each.	• Distinguishes between and compares different methods of carrying and/or transferring money overseas and paying for goods in a foreign country. • Successfully completes Case Study 1: Foreign Exchange
4. Determine the currency used in a range of foreign countries and evaluate the buying power of the South African Rand in relation to these currencies	• Selects the appropriate currency for a range of foreign countries. - Successfully completes Case Study 1: Foreign Exchange - Interprets given information, e.g. the Big Mac Standard correctly to evaluate the relative buying power of the Rand in a range of foreign countries
5. Apply knowledge and skills to perform foreign exchange calculations (optional)	• Successfully completes: - Big Mac Standard

Contents

This teaching guide is arranged into 5 sections:



Foreign Exchange

What is Foreign Currency?

Foreign currency simply refers to the money used in other countries. Foreign trade involves payment in foreign currencies such as Pound Sterling (GBP), Japanese Yen (JPY) and American dollars (USD).

The abbreviations for the currencies referred to above consist of the official country code (South Africa: ZA; Great Britain: GB, etc) plus the letter of the alphabet to indicate the currency (e.g. South African Rand: ZAR). These codes are official and should always precede the amount when costs are calculated. Always print and use capital letters when entering codes on documents. All countries have their own currencies, except many of European countries who have adopted the **Euro**, which is a shared currency.

What is Foreign Exchange? (Forex)

When travelling to another country you need to pay for products and services of the country that you are visiting with the applicable currency. You will therefore need to exchange SA Rand (ZAR) for the specific foreign currency of the country/countries you are planning to visit. On the other hand, foreign visitors to South Africa have to pay in ZAR for SA products and must have local currency (ZAR) to pay for these. The practice of converting one currency into another is called **currency conversion** or **foreign exchange**.

It is standard practice to compare local currencies to the US Dollar because it is a convenient common denominator. An estimated 80% of all the foreign exchange transactions around the globe involve US Dollars, (but not all these transactions involve US citizens). Besides the US Dollar, other major currencies used in foreign trade include the Euro and the Japanese Yen.

Examples of major global currencies	
US Dollar	USD
Pound Sterling	GBP
Japanese Yen	JPY
Swiss Franc	CHF
Australian Dollar	AUD
New Zealand Dollar	NZD
Euro	EUR
Canadian Dollar	CAD
Hong Kong Dollar	HKD
Saudi Riyals	SAR

Southern African Currencies	
South African Rand	ZAR
Botswana Pula	BWP
Namibian Dollar	NAD
Zimbabwe Dollar	ZWD
Lesotho Maloti	LSL
Swaziland Lilangeni	SZL
Angola Kwanza	AON
Malawi Kwacha	MWK

US Dollar | Pound Sterling | Euro | Japanese Yen

Are bank notes the only form of foreign currency?

No. Around the world cash is the preferred way for making smaller payments. It is convenient for both the buyer and the seller. But carrying around a lot of money in cash can be a problem as it can become bulky, and can be lost or stolen.

Some substitutes for cash include:

- Travellers' cheques
- Credit cards e.g. Visa or Mastercards
- Debit cards and Stored Value cards e.g. Visa TravelMoney
- Charge cards e.g. American Express Card
- Electronic money e.g. Bank Drafts and Telegraphic transfers

The American Express Company developed the first paper substitute for cash, the travellers' cheque in 1891.

What is the Exchange Rate?

The rate at which currencies are exchanged is known as the rate of exchange (ROE), or the exchange rate, i.e. the price of one currency expressed in terms of units of another currency. Simply put: at what price can one buy foreign currency using your local currency. For example how much will it cost a South African traveller to buy 100 USD?

The table below contains the exchange rates as at 19 January 2004 *(Pretoria News Business Report, p18).*

Currency	Code	Exchange Rate as on 19 January 2004
US dollar	USD	7.19
Pound Sterling	GBP	12.92
Japanese Yen	JPY	0.07
Swiss Franc	CHF	5.66
Australian dollar	AUD	5.48
New Zealand dollar	NZD	4.77
Euro	EUR	8.92
Canadian dollar	CAD	5.53
Hong Kong dollar	HKD	0.93
Saudi	SAR	1.92

Exchange rates fluctuate daily. The following are some of the factors that could have an effect on the exchange rate:

1. Discovery of minerals
2. Political unrest
3. Time of the year, e.g. Christmas
4. Natural disasters e.g. earthquakes, floods
5. Economic stability of a country
6. Elections etc.

The rate at which the Rand is trading against major global currencies can be found in most newspapers, on television, radio, on the internet (**www.mweb.co.za**), (**www.southafrica.co.za/forex**), commercial banks or by calling **083 123 3882**. The quoted rates will vary depending on whether you are buying or selling the particular currency.

To convert one currency into another is simply a matter of multiplying or dividing: if your currency is worth more, then you divide your currency rate into the price of an item because you know it will cost less in terms of your currency. If your currency is worth less, then you multiply the price, because you know it will cost more.

Foreign exchange may be issued to South African residents travelling on holiday or business provided that:

1. Forex is applied for within a 60 day period prior to departure.
2. A valid passport and air ticket is presented.
3. The amount applied for is within the annual allowance (persons older than 12 years: R160 000.00 per calendar year and children under 12 an allowance of R50 000.00 per calendar year.)
4. All unused foreign currency must be returned to an authorised dealer within in 30 days upon return to South Africa.

Where to exchange foreign currency?

Currency can be exchanged at:

- Foreign Exchange kiosks at airports
- Banks
- Bureaux de Change / Cambio
- Authorised Travel Agents
- Authorised Foreign Exchange Dealers such as American Express
- Some major hotels and cruise ships have agencies for Foreign Exchange Dealers
- In some major cities in Europe, currency can be exchanged at kiosks in the street.

What is meant by the terms 'Bank Selling Rate' (BSR) and 'Bank Buying Rate' (BBR)?

BSR – Bank Selling Rate: This is the rate used by the bank when *local currency is converted into foreign currency*, the bank sells foreign currency. If you buy foreign currency, the smallest denomination that you can purchase is 10, therefore when converting Rand to foreign currency, the amount must be rounded **down** to the nearest 10.

BBR – Bank Buying Rate: This is the rate used by the bank when cashing or converting *foreign currency into local currency*, the bank buys foreign currency.

Let's explore the concept of a bank selling rate and bank buying rate in a bit more detail. Lets assume that you have R7 000 and you want to buy US Dollars. The bank quotes you a BSR (bank selling rate) of R7,19 to the US Dollar. This means that for R7,19 you will receive 1 US dollar. So the bank will sell you $973,57 US Dollars for your R7000 rand. (7 000 **divided by** 7,19 = 973,57). **However**, banks and foreign exchange outlets won't give customers cents of a foreign currency so they will just round this figure *down to $973*.

Now let's take your $973 US Dollars and convert it back to South African Rands. Let's assume that the bank will buy the US Dollars back from you at a rate of 6.7 Rands for each US Dollar. So now all of a sudden you only get R6 519.10 for your $973 US Dollars. (973 x 6.7 = R6 519.10). When banks or foreign exchange outlets purchase foreign currency from you and give you Rands back in return, they will also be able to give you coins/change as it is the South African local currency and they have the coins available.

This is how banks make money on foreign exchange transactions. They have a BSR which is higher than the BBR.

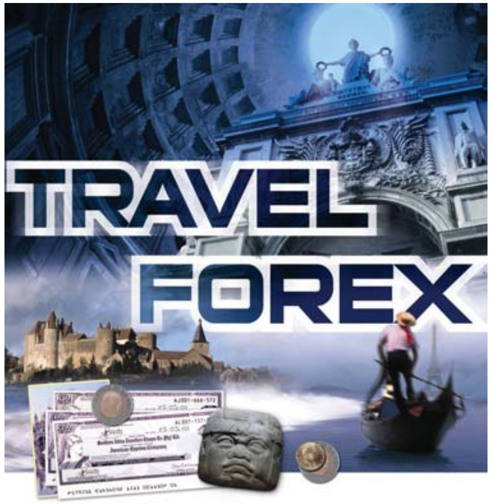
Learner Activity 1: Foreign Currency

Teacher guidelines for learner activity

Case Study 1: Foreign Currency
Divide the class into groups of 5 learners per group. Make a copy of Case Study 1 **(on page 6)** for each group and distribute the case study to each group of learners. Ask learners to read the case study and answer the questions at the end of the case study:

The case study illustrates these concepts:

- Different methods of paying for goods and services when travelling abroad
- The advantages and disadvantages of the different methods of payment
- Different foreign currencies



Buying Power

What is meant by the term 'Buying Power'?

Buying power is the term used to measure the relative value of different currencies, i.e. to determine what buying power our currency has relative to another currency. One must compare the price of the same item in both countries. The basic idea is simple, but you have to convert currencies to make the comparison.

If the buying power of the Euro and the English Pound is equal, then you would pay the same amount in England as you would in the rest of the European Union for the exact same item. Typically, though, things that are the same don't cost the same amount in different countries. Not surprisingly, people want to buy in places where their own currency will get them the most for their money.

If our currency is "worth more" than another currency when it is converted into that currency, then we will have more **buying power**. Depending on the value of the South African Rand compared to other major currencies, shopping in other parts of the world may either be expensive or inexpensive to South Africans.

The opposite, of course, is true for visitors from other countries when visiting South Africa. They may have more or less buying power when shopping in South Africa, depending on the exchange rate.

The Big Mac Standard

It's not easy to compare prices around the world unless you have an item that is the same in all countries. The Economist, a British magazine, got the idea that you could use the price of a MacDonald's hamburger to compare prices around the world. Big Mac's are a standardized product, whether you buy one in Russia, Brazil or South Africa and is produced in about 120 countries.

Learner Activity 2: The Big Mac Standard

Using the Big Mac Activity in class

Teacher guidelines for learner activity

- Make a copy of the Big Mac table **(on page 8)** for each learner and explain to learners what each column represents, e.g:
- Column 1 is the name of the country,
- Column 2 is the cost of a Big Mac Burger in the countries listed in Column 1.
- Column 3 is the US Dollar equivalent of each Big Mac Burger in all the countries.
- Ask learners to examine the Big Mac table and answers the questions that follow.

NB: You the educator should decide whether learners should answer Question 4 as this question involves exchange rate calculations.

If you do decide to ask learners to complete question 4 learners must establish what the Rand equivalent will be, using the US Dollar price in column 3 and the exchange rate given in columns 4

- In other words learners should multiply Column 3 by 7.19 to find out what the Rand equivalent is of a Big Mac Burger in each of the countries listed.
- Learners may use calculators
- Learners have to write the answer in column 4.

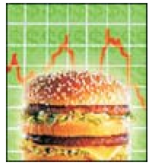
The Big Mac Activity illustrates these concepts.

- Exchange rates
- Buying power
- Different global currencies

What does the Big Mac index tell us?

The Big Mac index tells us that a Big Mac burger does not cost the same in every country. A Big Mac will cost the equivalent of R19.05 if you buy it in America and only R13,95 if you buy it in South Africa.

This is an important concept to understand as, believe it or not, the exchange rate can affect travel trends.



Teacher guidelines

Reference to Case Study 1

When learners have completed the Big Mac activity refer them back to Mr and Mrs Sithole in Case Study 1. Explain the following concept to learners:

Mr and Mrs Sithole are travelling to France (which is part of the European Union) where a Big Mac will cost the equivalent of R24.45, the USA where a Big Mac will cost the equivalent of R19.05, Australia where a Big Mac will cost the equivalent of R17.47, Japan where a Big Mac costs the equivalent of R17, 68 and Thailand where a Big Mac only costs the equivalent of R9.35.

This means that the Sithole's could afford to buy more Big Macs in Thailand than they will in any of the other countries that they plan to visit. The term that we use to describe this concept is '*buying power*'. The Sitholes have more buying power in Thailand than in any of the other countries that they are visiting.

When tourists are deciding to travel to another country they consider the concept of 'buying power' as it makes sense to travel to a country where your local currency is going to give you the most value. It also affects the length of a tourists stay in a destination. The Sitholes, for example, may decide to spend more time in Thailand than in France because they have much more buying power in Thailand than they do in France.

The same is true for South Africa. If foreign tourists perceive South Africa to be a 'value for money' destination because products and services cost less, than in other parts of the world that they are considering travelling to, then it is likely that they will choose to travel to South Africa rather than other destinations.

Learner Activity 3: Buying Power

Teacher guidelines for learner activity

Case Study 2: Buying Power

Divide class into groups of 5. Make copies of Case Study 2 **(on page 7)** and distribute to each group of learners. Ask learners to read the case study and answer the questions:

The case study illustrates these concepts:

- Buying power
- The impact of foreign exchange rate on buying power and travel trends

Travel Trends

How does buying power affect 'Travel Trends'?

When foreign tourists come to South Africa and get more Rands for their money, it means they have more money to spend on accommodation, transport, entertainment and goods. Tourists who have more money to spend are more likely to stay longer and then spend even more money. This means money is coming into the country, which can create job opportunities which in turn will benefit the South African economy. According to information released by South African Tourism, in 2003, R53,9 billion was spent in South Africa by foreign tourists.

Just the opposite is true when a currency like the Rand is strong and tourists get less Rand for their own currency. A strong Rand buys more foreign currency; whilst a weak Rand will buy less foreign currency. Thus one will see that tourism companies in South Africa that derive the bulk of their income from foreign tourists will experience a negative growth rate.

It is important to note that if the Rand is weak, more overseas tourists are likely to visit South Africa. South Africa is then perceived as a "cheap" or "good value for money" destination. However, when the Rand becomes stronger, South Africa, which is a long haul destination for tourists from other continents, becomes expensive. These tourists will probably then look for other "cheaper" destinations.

Learner Activity 4: Travel Trends

Teacher guidelines for learner activity

Case Study 3: Travel Trends

Divide class into groups of five. Make a photocopy of Case Study 3 and distribute the case study to each group of learners. Ask groups to read the case study and then discuss the questions.

The case study illustrates these concepts:

- Travel trends.
- The impact of foreign exchange fluctuations on buying power and travel trends.

Case studies and Big Mac activity

Case study 3 – Travel Trends

For the past 5 years, 17 year old Vusi has travelled from Johannesburg to Cape Town to spend Christmas with his cousins. Vusi is always amazed at how busy Cape Town is at Christmas time and at the number of foreign European languages that he hears people talking. The restaurants are full, you have to queue to buy a drink and it is almost impossible to find parking anywhere in Cape Town. The foreigners that Vusi meets from Europe tell him that they come to Cape Town at Christmas time because it is a great 'value for money' destination.

This last Christmas though, things were different. Cape Town was virtually empty and Vusi wondered where all the tourists were. Vusi's cousins told him that due to the strengthening Rand it seems that tourists have decided that Cape Town is now too expensive and the overseas visitors have either decided to stay at home or travel to other parts of the world where they are able to obtain better value for their money.

By the same token, many South Africans who have not been able to travel overseas for a number of years due to the weak Rand have taken advantage of the strong Rand and decided to go overseas.

Vusi now realises that the exchange rate of the Rand against major foreign currencies has a definite impact on tourism trends to Cape Town and other parts of the world. If the Rand is weak, more overseas tourists are due to visit South Africa, because it will be a relatively cheap destination for them.

More South Africans will tend to stay at home or travel within South Africa, because it will be too expensive to travel to the USA or Europe for example. A weaker Rand has a positive impact on South Africa's inbound tourism industry, whereas a stronger Rand affects our inbound tourism market negatively.

Vusi decides to watch the exchange rates on the evening news on a regular basis in order to predict what his next Christmas holiday in Cape Town will be like.

Questions:

1. What is meant by a strong and a weak Rand?
2. What is meant by the term 'value for money destination'?
3. What is meant by the term 'travel trends'?
4. Track the Rand/US Dollar exchange rate for one month. Draw a graph and plot the exchange rate fluctuations on the graph. Keep the graph in your portfolio.
5. Write a one page essay on how buying power affects travel trends (Portfolio activity).

Case Study 1 – Foreign Currency

Bongi and Thabo Sithole recently won R10 million on the lottery. They decide to embark on a round the world trip, which has been their life long dream. They book their trip through American Express Travel. American Express is a sophisticated travel and financial services company with divisions specialising in charge and credit cards, banking, asset management, travel services, travellers cheques and foreign exchange. Bongi and Thabo decide that they will visit the following countries: Zimbabwe, France, the UK, the USA, Australia, Thailand and Japan.

The American Express travel consultant advises Mr and Mrs Sithole that they will need to purchase foreign currency and that there are a number of options available to the Sitholes. The options are:

Cash
- Accepted everywhere
- Can easily be stolen/lost
- Coins can become bulky
- Can never be refunded
- Restaurants and shops
- Must be exchanged in different countries for local currency

Travellers Cheques
- Refundable if lost or stolen
- Good until used – never expire
- Available in various currencies
- No commission levied if cashed at a representative office
- Exchanged at most hotels, restaurants & shops

Credit Cards
- Accepted in most hotels, restaurants and shops around the world
- Expenditure can be paid back over an agreed period.
- Can be stolen or lost
- Not accepted in smaller shops or by street vendors
- Expensive interest rates on outstanding balances

Debit Cards
- Convenient
- Not accepted everywhere
- PIN required
- Must have sufficient funds in your account
- Gives you access to your funds in local currency wherever you are in the world

The travel consultant also explains to the Sitholes that they will have more buying power in some of the countries that they are visiting than in others. The Sitholes decide to take a small amount of cash along with them on their trip as well as travelers cheques and a credit card and set off on their trip.

Questions:

1. What is American Express?
2. What is meant by the term 'foreign currency'?
3. List the currencies the Sitholes will have to purchase.
4. If you were the consultant at American Express, which method(s) of taking their money overseas would you recommend to the Sitholes? Give reasons for your choice and also state why you would not recommend the other options available.

Case study 2 – Buying Power

On the 1 February 2001, the Rand-Dollar exchange rate is 12.63. This means that a US Dollar will cost R12,63.

Mr and Mrs Yankee are planning a 7-day trip to South Africa. They have a budget of $20 000 for their trip, and are intending to stay in 4-star hotels and hire a car to travel around in South Africa. The cost of an average 4 star hotel in South Africa is R500 per room per night. The cost of hiring a car is R300 per day.

Mr and Mrs van der Merwe are planning a 7 day trip to the United States. They have a budget of R40 000 for the trip, and are intending to stay in 4-star hotels, and hire a car to travel around in the USA. The cost of an average 4 star hotel in the United States is $150 US dollars per room per night and the cost of hiring a car is $40 US dollars per day.

Two years later on the 1st of February 2003, the Rand-Dollar exchange rate is R7.25. This means that a US Dollar will cost R7.25.

Questions:

1. Which couple benefitted from the exchange rate in 2001, and why?
2. If both couples had known in 2001 what the exchange rate would be in 2003 do you think they would still have taken the holiday? Give reasons for your answer.

Learner Activity 2 – The Big Mac Standard *(based on 19 January 2003 data)*

Big Mac prices in 2003 are shown below. It shows how much the very same hamburger would cost in terms of the US Dollar in each of the countries.

Column 1	Column 2	Column 3	Column 4	
Country	Big Mac Price		Actual Exchange Rate 1 USD = ZAR 7.19 (as on 15 Jan 2004 Big Mac prices in terms of ZAR)	
	In Local Currency	In US dollars	In SA Rands	
United States	$2.65	$2.65	ZAR	ZAR 19.05
Argentina	Peso 3.85	$1.32	ZAR	
Australia	A$3.20	$2.43	ZAR	
Britain	£1.99	$3.57	ZAR	
Canada	C$3.20	$2.46	ZAR	
China	Yuan9.95	$1.20	ZAR	
European Union	€2.75	$3.40	ZAR	
Hong Kong	HK$11.25	$1.44	ZAR	
Hungary	Forint 492	$2.29	ZAR	
Japan	¥263	$2.46	ZAR	
Malaysia	M$5.10	$1.34	ZAR	
Mexico	Peso22.0	$2.03	ZAR	
New Zealand	NZ$3.95	$2.62	ZAR	
Russia	Rouble40.00	$1.38	ZAR	
Singapore	s$3.30	$0.94	ZAR	
South Africa	Rand13.95	$1.94	ZAR	
Sweden	Skr30.0	$4.00	ZAR	
Switzerland	SFr6.35	$5.00	ZAR	
Taiwan	NT$70.55	$0.09	ZAR	
Thailand	Baht55.0	$1.30	ZAR	

Questions:

1. In which country is the Big Mac most expensive?
2. In which country is the Big Mac the least expensive/cheapest?
3. Which column did you use to compare the prices and why did you use this column?
4. What is the Rand equivalent of a Big Mac for each of the countries listed in the table?

(**Hint:** multiply column 3 by 7.19. You may use a calculator. Write your answers in column 4.
Your answers should include 2 decimal places as in the example for the United States already provided).

Ideas Box

Teaching Ideas and Learner Activities

- Teaching Portfolio: As the educator, it is suggested that you read newspapers and travel journals, and keep relevant articles in a teaching portfolio in a section entitled 'foreign exchange'. These articles can be used as extra ideas for case studies and to illustrate the concepts that you are teaching.
- Approach a foreign exchange outlet such as American Express or Rennies (and invite a representative from the organisation) to give a lecture to the class about foreign exchange (40 minutes). If you do not have a foreign exchange outlet such as American Express or Rennies in your area, then approach any local bank, as most banks deal with foreign exchange. Ask the guest speaker to bring along any resource material that could be used in the class such as specimens of travellers cheques, different examples of foreign currencies, exchange rate tables etc
- Facilitate class discussion on whether anybody has ever traveled to another country. Ask learners what currency was used in the country that they traveled to and ask learners if they have examples of that foreign currency at home which they could bring to the class and show fellow learners. (Some learners in the class may have traveled to Swaziland, Botswana, Zimbabwe etc). Learners who have travelled beyond the borders of South Africa should be asked to share their experiences in terms of foreign exchange with the rest of the class.
- Facilitate a brainstorming session in class whereby the entire class has won a trip to England to watch Bafana Bafana play Manchester United. Ask learners if they will be able to use Rands to pay for goods and services in England. The answer is no they will have to pay in Pounds. Where do they get the Pounds from – a bank. BUT do they want to carry large sums of cash on them. NO – because it could be stolen so they may consider taking a credit card or buying travellers cheques.
- Divide class into groups and ask each group to think of a product which they would like to manufacture and sell to foreign tourists visiting SA. The product could be anything e.g. baskets, jewelry, jam, wooden carvings, a tour of the local community, a traditional meal, a beer at a local shebeen etc. Each group should decide on a price in US Dollars for their product as well as a price in Euros for their product. For the next week learners must listen to the news and write down the exchange rate for the US Dollar and the Euro every day. Every day ask the learners what the exchange rate is and write it on the blackboard. Have one column for the US Dollar and one column for the Euro.

  At the end of the week ask the learners to discuss in their groups what effect the exchange rate has had on their business. Learners may use a calculator and multiply the cost of their product by the exchange rate for each day. For example: Lets assume that the exchange rate for the Rand to the US Dollar was 7.19 on Monday, 7.50 on Tuesday, 7, 25 on Wednesday, 6.90 on Thursday and 6.50 on Friday. If a group chose baskets as their product and decided each basket would be sold for $5 (US dollars). Then they would get R35.95 per basket on Monday ($5 x 7.19 =R35.95), R37.50 per basket on Tuesday ($5 x 7.50 = R37.50), R36.25 per basket on Wednesday, ($5 x 7.25 = R36.25), R34.50 per basket on Thursday ($5 x 6.50 = R34.50), and R32.50 per basket on Friday. ($5 x 6.50 = R37.50), Groups should present their findings to the class.

Teacher Guidelines

Answers to Case Study 1 – Foreign Currency

1. American Express is a travel and financial services company. It has different divisions specialising in: charge and credit cards, banking, asset management, travel services, travellers cheques and foreign exchange.
2. Foreign currency is the money used in other countries.
3. The Sithole's will have to purchase Zimbabwean Dollars, Euros, British Pounds, US Dollars, Australian Dollars and Thai Bhat.
4. There is no 'right' or 'wrong' answer to this question. It is important however, that learners demonstrate an understanding of what the advantages and disadvantages of each method of payment. Some of the points learners should make in their answer are listed in the table below.

Type	Advantages	Disadvantages
Cash	• Accepted everywhere	• Can easily be stolen or lost • Can never be refunded • Coins can become bulky • Must be exchanged in different countries for local currency
Travellers Cheques	• Refundable if lost or stolen • Good until used never expire • Available in different currencies • No commission levied if cashed at a representative office • Exchanged at most hotels, restaurants and shops	• Not accepted by smaller shops or street vendors
Credit cards	• Accepted at most hotels, restaurants and shops • Expenditure can be paid back over an agreed period	• Can be lost or stolen • Not accepted by smaller shops or street vendors • Expensive interest rates on outstanding balance
Debit cards	• Convenient • Pin required	• Not accepted everywhere • Must have sufficient funds in your account

Answers to Case Study 2 – Buying power

1. The Yankees benefitted from the trip as they got R12,63 for each one of their dollars in 2001 but two years later in 2003 they would have only got R7,63 for each dollar
2. The Yankees would have taken their trip but the van der Merwe's on the other hand would probably have waited a bit until the exchange rate improved. As the Rand strengthens against the US dollar (or any currency for that matter) so it becomes cheaper for South Africans to travel overseas. The opposite is true for tourists visiting South Africa when the Rand is strong. Tourists will be able to purchase fewer Rands and therefor have less spending power.

Answers to Case Study 3 – Travel trends

1. Buying power refers to the strength of one currency compared to another currency. A strong Rand buys more foreign currency and a weak Rand buys less foreign currency. This means that a strong Rand will favour South Africans planning a holiday abroad as they will be able to buy more foreign currency with the Rands that they have. On the other hand, tourists travelling to South Africa will be able to buy fewer South African Rands with their currency when the Rand is strong. When the Rand is weak the opposite is true. South Africans will be able to buy less foreign currency when travelling abroad and tourists travelling to South Africa will be able to buy more Rands and therefore spend more.
2. A value for money destination is a destination where you have more spending power than in other destinations. In other words your currency (in this case the Rand) is stronger than the country's currency that you are visiting and goods and services are therefore cheaper than they are at home.
3. 'Travel trends' refers to the movement of tourists to a destination that has become popular for one reason or another.
4. Learners should plot the exchange rate on a graph.
5. Learners need to explain what is meant by the term 'buying power'. They can incorporate the answer to Question 1 in this section. Secondly learners must explain what is meant by travel trends (the movement of tourists from one place to another). Once learners have explained the two concepts they need to form a relationship between the two concepts. Learners should then explain that buying power affects travel trends because tourists like to travel to countries where they have more buying power and are therefore able to spend more. If a country is very expensive for tourists to visit then fewer tourists will travel to that country or they will spend less time there because they cannot afford to stay longer.

Answers to Activity 8 – The Big Mac Standard

Column 1	Column 2	Column 3	Column 4
Country	Big Mac Price		Actual Exchange Rate 1 USD = ZAR 7.19 (as on 15 Jan 2004 Big Mac prices in terms of ZAR)
	In Local Currency	In US dollars	In SA Rands
United States	$2.65	$2.65	ZAR 19.05
Argentina	Peso 3.85	$1.32	ZAR 9.49
Australia	A$3.20	$2.43	ZAR 17.47
Britain	£1.99	$3.57	ZAR 25.67
Canada	C$3.20	$2.46	ZAR 17.69
China	Yuan9.95	$1.20	ZAR 8.63
European Union	□2.75	$3.40	ZAR 24.45
Hong Kong	HK$11.25	$1.44	ZAR 10.35
Hungary	Forint 492	$2.29	ZAR 16.47
Japan	¥263	$2.46	ZAR 17.69
Malaysia	M$5.10	$1.34	ZAR 9.63
Mexico	Peso22.0	$2.03	ZAR 14.60
New Zealand	NZ$3.95	$2.62	ZAR 18.84
Russia	Rouble40.00	$1.38	ZAR 9.92
Singapore	s$3.30	$0.94	ZAR 6.76
South Africa	Rand13.95	$1.94	ZAR 13.95
Sweden	Skr30.0	$4.00	ZAR 28.76
Switzerland	SFr6.35	$5.00	ZAR 35.95
Taiwan	NT$70.55	$0.09	ZAR 0.65
Thailand	Baht55.0	$1.30	ZAR 9.35

Notes:

Lesson Planning for Foreign Exchange

Note: The following provides guidance on planning to deliver lessons on Foreign Exchange, and is not a lesson plan for one lesson in itself. Plan each lesson yourself, but use this as a guideline and use the activities that we have suggested where you can.

DATE		SUBJECT	Tourism
EDUCATOR		GRADE	11
ACTIVITY		TOPIC	Foreign Exchange
CRITICAL OUTCOMES	1, 2, 4, 7	LEARNING OUTCOME: 3 The learner is able to source, analyse and critically evaluate information on physical features, attractions, travel trends and the impact that events/occurrences have on a destination.	
DEVELOPMENTAL OUTCOMES	2, 3, 5		
PRE-KNOWLEDGE: • Learning outcome 3 • Assessment standard 10.3.5 – Foreign Exchange		ASSESSMENT STANDARD: 11.3.5 The learner is able to examine the buying power of the South African Rand in relation to other currencies and its effect on tourism. KEY CONTENT: • Basic research on various foreign currencies. • Compare different exchange rates • Understanding of buying power (Big Mac Index) • Demonstrate an understanding of the impact of the exchange rate on travel trends for SA tourists.	

Educator Activities	Learner Activities	Resources (LSM)	Assessment Strategies	Time
1. Facilitate and Observe.	1. Class Quiz on Grade 10 work. Learners work in groups to formulate their own questions.	1. Paper, pens, school board to record scores of groups.	1. Observation	1. 15 min
2. Duplicate and distribute copies of case studies. Read through case studies with learners Prepare questionnaires/ activities from the case studies for group work.	2. Read and interpret case studies and answer questions.	2. Copies of case studies, pens, paper exchange rate tables.	2. Assessment rubric	2. 120 min (40 min x 3)
3. Facilitate research on currencies and exchange rates. Make research material available to learners where necessary.	3. Do research and presentation (in groups) on pre-selected currencies and exchange rates of the world.	3. Newspapers, magazines, internet, cell phones, radio, TV, computer.	3. Assessment rubric	3. 80 min (40 min x 2)
4. Prepare Big Mac Worksheet. Explain how Big Mac Worksheet is done.	4. Complete and assess Big Mac Worksheet (for Portfolio – individually).	4. Worksheet, pens, calculator	4. Assessment rubric	4. 80 min (40 min x 2)
5. Facilitate and observe group discussion.	5. Group discussion and report back in class on the impact of the exchange rate on travel patterns of South African travellers.	5. Pens, paper	5. Assessment rubric	5. 80 min (40min x 2)

Homework: Gather information on foreign currencies and bring examples to class.

Expanded opportunities:
1. Learners could exhibit the practical work that they completed on foreign exchange e.g. graphs essay on effect of foreign exchange rates on tourism trends, case studies on open day and invite peers, other educators and parents.
2. Learners could research the prices of a can of Coke in various countries and compare prices.
3. Interested learners can visit sites like **www.economist.com** for further interesting subject matter.
4. A group of learners can find out and report back to the class on the procedure to buy travellers cheques and to cash travellers cheques.

Special needs:
1. Identify available resources, taking into account learners with special needs. (e.g. no computer access etc.)
2. Introduce rural learners to "MacDonalds" and the "Big Mac".
3. The principle of diversity can be used as a basis for furthering the development of an inclusive society.

Notes:

Assessment Rubric

OUTCOMES	Inadequate LEVEL 1 (0 – 29 %)	Partial LEVEL 2 (30% – 39%)	Adequate LEVEL 3 (40% – 49%)	Satisfactory LEVEL 4 (50% – 59%)	Meritorious LEVEL 5 (60 – 79%)	Outstanding LEVEL 6 (80 – 100%)
1. The learner is able to explain the terms 'buying power', 'currency', 'foreign exchange' and 'travel trends'.	The learner is unable to explain what any of the concepts mean.	The learner is able to provide a limited explanation of one or two of the concepts.	The learner is able to provide a basic explanation of at least 3 of the concepts.	The learner is able to explain what each of the concepts mean but the explanation is limited.	The learner is able to provide a thorough and comprehensive explanation of 3 of the 4 terms.	The learner is able to provide a thorough and comprehensive explanation of each of the concepts.
2. The learner is able to evaluate how foreign exchange impacts upon the buying power of tourists and consequently on travel trends.	The learner is unable to evaluate the impact of foreign exchange on buying power and ultimately travel trends. The learner is unable to explain any of the concepts.	The learner is unable to evaluate how foreign exchange impacts on buying power and travel trends. The learner is able to provide a limited explanation of the terms 'exchange rate', 'buying power' an 'travel trends' but is unable to relate concepts to one another.	The learner is able to evaluate how foreign exchange impacts on buying power and travel trends but the evaluation is limited. The learner is able to discuss all 3 concepts but is unable to relate concepts to one another.	The learner is able to evaluate how foreign exchange impacts on buying power and travel trends. The learner discusses each concept and makes some links between the concepts but lacks understanding of the relation between the 3 concepts.	The learner is able to evaluate how foreign exchange impacts on buying power and travel trends. The learner offers a meaningful explanation of the concepts and how they relate to one another.	The learner is able to evaluate the impact of foreign exchange on buying power and travel trends clearly and concisely. The learner presents a logical explanation of the concepts and applies the McDonald index to illustrate the relation between the concepts in a practical and realistic way.
3. The learner is able explain the different methods of paying for goods and services when travelling in other countries and discuss the advantages and disadvantages of each.	The learner is unable to list any of the methods of payment and demonstrates no understanding of the advantages and disadvantages of each method of payment.	The learner lists one or two methods of payment and has a limited understanding of only one or two of the advantages and disadvantages of each method of payment.	The learner lists 3 of the 4 methods of payment and is only able to discuss one or two of the advantages and disadvantages of each method of payment.	The learner lists all the methods of payment but is only able to discuss one or two of the advantages and disadvantages of each method of payment.	The learner lists all the methods of payment and is able to discuss most of the advantages and disadvantages of each method of payment but not all of them.	The learner lists all the methods of payment and is able to discuss all of the advantages and disadvantages of each method of payment.
4. The learner is able to determine the currency used in a range of foreign countries and evaluate the buying power of the South African Rand in relation to these currencies.	The learner is unable to determine the currency used in any foreign country, nor evaluate the buying power of the South African Rand in relation to these currencies.	The learner is able to determine the currency used in one or two foreign countries but is unable to evaluate the buying power of the South African Rand in relation to these currencies.	The learner is able to determine the currency used in 3 or 4 foreign countries and provides a very limited evaluation of the buying power of the South African Rand in relation to these currencies.	The learner is able to determine the currency used in 5 or more foreign countries and provides a satisfactory evaluation of the buying power of the South African Rand in relation to these currencies. The learner does not however refer to any of the case studies nor Big Mac Standard.	The learner is able to determine the currency used in 5 or more foreign countries and provides a good evaluation of the buying power of the South African Rand in relation to these currencies. The learner refers to one of the case studies or the Big Mac Standard.	The learner is able to determine the currency used in 5 or more foreign countries and provides an excellent evaluation of the buying power of the South African Rand in relation to these currencies. The learner refers to the case studies as well as to the Big Mac Standard.
5. The learner is able to apply knowledge and skills to perform foreign exchange calculations (*optional*).	The learner is unable to use the Big Mac Standard.	The learner attempts to complete the Big Mac Standard but most of the answers are incorrect.	The learner attempts to complete the Big Mac Standard but less than half the answers are correct.	The learner completes the Big Mac Standard and more than half of the answers are correct. The learner also has a basic understanding of what message the Big Mac Standard conveys i.e. buying power in relation to foreign currencies.	The learner completes the Big Mac Standard and only has one or two incorrect answers. The learner also has a good understanding of what message the Big Mac Standard conveys i.e. buying power in relation to foreign currencies.	The learner completes the Big Mac Standard and all the answers are correct. The learner clearly understands the concept of the Big Mac Standard and is able to apply the knowledge.