GLOBAL FINANCE I - Problem Set

The exchange rate between the dollar and the yen is 100¥/$. Assume no bid-ask spread

1) If you have $2,000, how many yen would you get?

2) If you want ¥10,000, how many dollars would you need?

3) If you have ¥5,000, how many dollars would that get you?

The exchange rates between the dollar and pound are:

\[
1.56\$/£ \\
0.62£/$
\]

4) If you had $50,000, how many pounds would you get?

5) If you wanted to get £10,000, how many dollars would you need?

6) If you have £10,000, how many dollars would you get?

7) You turn $10,000 into pounds and then suddenly decide you don’t want to travel to England after all. You exchange your pounds into dollars. How many dollars will you have?
ANSWERS TO PROBLEMS

The exchange rate between the dollar and the yen is 100¥/$. Assume no bid-ask spread

1) If you have $2,000, how many yen would you get?

\[(2000)\times(100¥/$) = ¥200,000\]

2) If you want ¥10,000, how many dollars would you need?

\[X(100¥/$) = ¥10,000\]

\[X = \frac{¥10,000}{100¥/$} = $100\]

3) If you have ¥5,000, how many dollars would that get you?

\[(5000)/(100¥/$) = $50\]

The exchange rates between the dollar and pound are:

\[1.56\$\text{/£} \quad 0.62\text{£/$}\]

4) If you had $50,000, how many pounds would you get?

\[(50,000)(0.62\text{£/$}) = £31,000\]

5) If you wanted to get £10,000, how many dollars would you need?

\[X(0.62\text{£/$}) = (£10,000)\]

\[X = $16,129.03\]

6) If you have £10,000, how many dollars would you get?

\[(£10,000)(1.56\$\text{/£}) = $15,600\]

7) You turn $10,000 into pounds and then suddenly decide you don’t want to travel to England after all. You exchange your pounds into dollars. How many dollars will you have?

\[(10,000)(0.62\text{£/$})(1.56\$\text{/£}) = $9,672\]