

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?

$$(\$2000)(100¥/\$) = ¥200,000$$

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

$$X(100¥/\$) = ¥10,000$$

$$X = ¥10,000/(100¥/\$) = \$100$$

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:

$$1.56\$/\pounds$$

$$0.62\pounds/\$$$

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

$$(\$50,000)(0.62\pounds/\$) = \pounds 31,000$$

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

$$X(0.62\pounds/\$) = (\pounds 10,000)$$

$$X = \$16,129.03$$

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

$$(\pounds 10,000)(1.56\$/\pounds) = \$15,600$$

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?

$$(\$10,000)(0.62\pounds/\$)(1.56\$/\pounds) = \$9,672$$