Guide to: Exchange rates

maths Links

Explanation:

An exchange rate tells you how much of a foreign currency is equal to **£1** (for example, **£1 = $1.25** or **£1 = €1.16**). To convert from **£1 into the foreign currency**, **multiply** by the exchange rate.

To convert back from the **foreign currency into £**, **divide** by the exchange rate. When comparing prices of an item in two different countries, convert both prices into the **same currency** first, then subtract to find the difference.

Example 1: The exchange rate is **£1 = €1.15**.
(a) Change **£320** into euros.
(b) Change **€299** into pounds.

Solution:

(a) £ to € (multiply): 320 × 1.15 = **€368**
(b) € to £ (divide): 299 ÷ 1.15 = **£260**
Answer: (a) €368 (b) £260

Example 2: A watch costs **£140** in London and **$189** in New York. Given **£1 = $1.26**, where is the watch cheaper and by how much in £?

Solution:

Convert $189 to £: 189 ÷ 1.26 = **£150**
Difference: £150 − £140 = **£10**
Answer: London is cheaper by £10

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