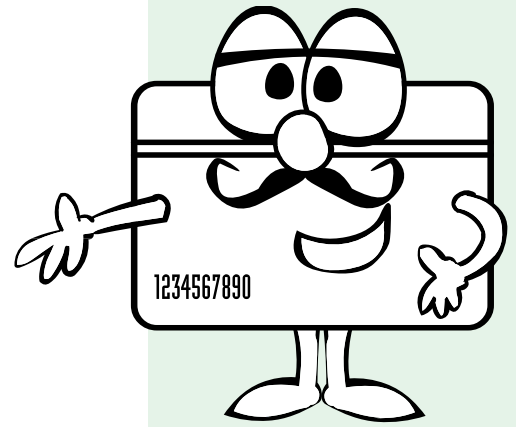


Grade Five

Currency and Exchange Rates



Overview

Students share the book *The Story of Money*, by Betsy Maestro, to learn about exchange and barter, the functions of money, currency, and spending money. Students complete a worksheet on currencies, determine the value of the dollar in three different countries using current exchange rates, and shop with cashless money.

Lesson Objectives

Students will be able to:

- Explain why people value money
- Define the term *currency*
- Describe how people can purchase items without cash

Prerequisite Skills

Students should be able to compute with decimal numbers up to the hundredths place. (If students have difficulty with this concept, allow them to use calculators during the small-group activities.)

Materials List

1. Book: *The Story of Money*, by Betsy Maestro (Clarion Books, 1993)
2. Chalkboard or chart paper
3. Listing with the current foreign currency exchange rates (enough for each student to have one copy)
4. Store catalogs
5. Blank checks (enough for each student to have at least five)
6. Handouts:
 - **A Closer Look at Currencies** worksheet
 - **Check Register** worksheet

Content Standards

The activities in this lesson correlate to national standards in economics, social studies, mathematics, and language arts. See the end of this lesson for content standards information.

Vocabulary

barter
cash
checking account
checks
counterfeit
credit
debit card
exchange
money
personal identification number (PIN)

Large-Group Activity

Materials

- Book: *The Story of Money*
- Chalkboard or chart paper
- Blank checks (enough for each student to have one)
- Handout: **A Closer Look at Currencies** worksheet

1. Gather students in the reading corner to share the book *The Story of Money*, by Betsy Maestro.

- Say:

What do people use money for?

Allow students to respond. Students may say people save money or use money to purchase items they need or want.

People all around the world use money to buy the items they need or want. Have you ever wondered why people started using paper money? I'm going to read you a book called *The Story of Money*. It was written by Betsy Maestro and was illustrated by Jane Giulio Maestro. This book describes how people started using paper money and explains how people use money today.

- Read the book aloud to students. Pause at the end of each two-page spread and allow students to view the pictures.

2. Discuss the book with the class.

- **How did people pay for goods before there was no money?**

People bartered with each other. This means they traded items they had for items they needed.

- **Why was it sometimes difficult for people to barter?**

Barter could work only when each trader wanted what the other had, and when both could agree on what made a fair trade.

- **What did people do to make trading easier?**

People started using certain objects as money.

- **What did people use as money?**

Anything could be used as money if people agreed on its value and accepted it in trade for goods. People used items such as salt, barley, shells, and tea leaves.

- **Who invented the first metal coins?**

The Sumerians, nomads who settled in the region of the Tigris and Euphrates Rivers in the Middle East around 3500 BC, invented the first metal coins. They melted silver and formed it into bars. Each was stamped with its exact weight, so people knew how much silver they were getting or giving in return for goods.

- **Why did many governments start using coins as official money?**

Coins were easy to use as money and easy to carry.

○ **What did the Chinese use as money?**

The Chinese used notes printed on paper as money. Each paper note was guaranteed by the government to have a certain value.

○ **Why did many countries start using Spanish silver coins?**

The Spanish did a lot of trading with countries around the world, so many countries adopted the Spanish coin.

○ **What did the early American colonists use for money?**

The early colonists used European coins. Sometimes they also used other objects such as corn, tobacco, fish, and wheat. The Native American wampum was also used.

○ **Where are coins for the United States made today?**

The mints at Philadelphia and Denver make coins.

○ **Where is U.S. paper money printed?**

Paper money is printed at the Bureau of Engraving and Printing in Washington, D.C.

○ **Most countries make their own money. Even though most countries have their own money, they all have something in common. What do they have in common?**

All money is made to ensure that bills and coins of the same amount are always exactly the same in size, weight, and appearance.

○ **Name some ways people today pay for goods and services.**

Today, people write checks, use debit cards, or buy items on credit.

3. Discuss this lesson's economic concepts: exchange and barter, the functions of money, currency, and spending money.

○ ***Exchange and Barter***

Have you ever traded an item with a friend in exchange for something else? If so, what did you trade? Why did you make the trade?

Allow students to share their experiences with trading.

Before money was invented, people **bartered. This means they traded things they had for things they needed. For example, a carpenter may have fixed a roof in exchange for some food. Bartering usually worked well, but sometimes there were problems. Bartering worked only when people could agree on what made a fair trade. It was hard to work out an equal exchange when the items to be traded were very different from each other. Suppose someone wanted to exchange a loaf of bread for a cow. Do you think this is a fair trade?**

Have students respond.

○ *Functions of Money*

The Ancient Sumerians eventually melted silver and formed it into small bars. Each bar was stamped with its exact weight. This showed people how much silver they were getting or giving in return for goods. This was the first form of money. Why do you think this was better than bartering?

The silver bars made it easier to trade because everyone could agree on the value. People wanted the silver because silver was a precious metal that was hard to find and valuable.

More people around the world eventually started trading **money** for goods instead of bartering. Money is anything people accept as payment for goods and services. Using money is easier than bartering because everyone accepts the value of money.

Coins were a popular form of money. Why do you think people used coins?

People used coins because they were easy to use. They were small enough to carry, and the amount each coin was worth could easily be divided to make change.

A long time ago, people could exchange their paper money for gold or silver stored by the government. This is no longer true. Many governments still store large amounts of silver and gold, but there isn't enough to exchange for all the paper money in use today. Even though people cannot exchange their paper money for gold or silver, they still value their paper money. Why?

Have students share their ideas.

People value money because they know that others will accept it in return for goods and services. Everyone agrees on how much money is worth.

○ *Currency*

Imagine that you are on vacation in Japan. Could you use your U.S. dollars and coins to purchase something?

Allow students to respond. Most students will say no.

Most countries have their own **currency**. This means the governments of different countries make their own money for their citizens to use. If you travel to another country, you should trade your U.S. dollars and coins for that country's money. For example, if you were traveling to Japan, you would exchange your U.S. dollars for Japanese yen. Do you think that you could trade your U.S. dollars for the same number of yen?

Give students the opportunity to answer.

If you were to trade your U.S. dollars for Japanese yen, you would be able to trade your U.S. dollars for the same value amount in yen. Even though the actual number of yen might be greater than the number of dollars, they are equal in value. There is an **exchange rate** between countries. An exchange rate is the price of one country's currency in terms of another country's currency. Exchange rates

vary from day to day. You can check exchange rates between two countries on the Internet or in the newspaper.

Suppose one U.S. dollar is worth 103.245 Japanese yen. How do you calculate how many Japanese yen you can get in exchange for five U.S. dollars?

Have students share their ideas.

To find out how many Japanese yen you would get in exchange for five U.S. dollars, multiply 103.245 by 5.

Write $103.245 \times 5 \approx 516.23$ on the chalkboard or chart paper.

You can exchange five U.S. dollars for 516.23 yen.

○ *Spending Money*

If you went to the store, what could you use to purchase items?

Students may say you can use cash, checks, debit cards, or credit cards to purchase items.

You can use **cash**, **checks**, **debit cards**, or **credit cards** to purchase items at a store.

You need to have a checking account at a bank in order use checks to pay for items at a store. When you open a checking account, you need to give the bank some money. The bank will then give you a book of checks and a check register, where you can keep track of your money.

Give each student a blank check to look at.

Once you open a checking account, you can use your checks to pay for the items you wish to purchase. It is important to keep track of how much money you spend, so you should write the amount of your purchase in your **check register**. If you write checks for more than the amount of money you have in your checking account, the bank may not give the store money, and it will probably charge you a fee. The store may also charge you a fee for writing a bad check.

Have any of you seen a machine located in the check-out aisle of the store? What do people do at these machines?

Students may say that people slide cards through these machines and punch numbers.

People use these machines to purchase items with their debit card or credit card. Many banks will give you a plastic card called a debit card when you open a checking account. Debit cards work like checks. When you use a debit card to purchase an item, the amount of your purchase is electronically transferred from your checking account to the bank account of the store where you make your purchase. In order to use a debit card at the machine, you need to enter a secret code called a **personal identification number** or a PIN. The bank will then take money out of your account and give it to the store to pay for the items you purchased. When you use a debit card to make purchases, you need to make sure you have enough money in your account, just like you do when you

write checks. If you don't have enough money, the bank will charge you a fee. You should always write down the purchases you make with a debit card in your check register to avoid spending more money than you have.

Credit is a type of loan. It is an agreement to borrow money or receive goods or services now in return for a promise to pay later. When you use a credit card to purchase an item, you don't have to pay for the item right away. The bank that issued your credit card is lending you the money to buy the item you have charged to your credit card. Later, you will get a bill from the bank asking you to repay the money. If you don't pay it back, the bank will charge you **interest**. This means the bank will charge you a certain amount of money for every dollar you have not repaid.

Which form of payment do your friends and family use most often? Why do you think your friends and family use one form of payment more often than the others?

Have students share their experiences and discuss the advantages of using cash, checks, debit cards, and credit cards.

4. Have students complete the **A Closer Look at Currencies** worksheet.

- Hold up a copy of the **A Closer Look at Currencies** worksheet.

This worksheet shows a picture of the U.S. dollar and Japanese yen. How do the designs of their money reflect their cultures? Do you think it would be hard to make **counterfeit** copies? Do you know what the word "counterfeit" means? It means a fake version of something—in this case, money. If you could design your own money, what would it look like? Draw a picture of it on the back of this worksheet. Then write a paragraph that explains what security features you would include.

Allow students to work on this worksheet while you work with individual groups in the following small-group activities. After small-group work, you might want to have students show the class what their money looks like.

Small-Group Activity One: Exchange Rates

Concepts Taught

Exchange Rate

Materials

- Book: *The Story of Money*
- Listing with the current foreign currency exchange rates (enough for each student to have one copy)
- Chalk board or chart paper
- Optional: Calculators

1. Begin Activity One: Exchange Rates.

- Give each student a listing with the current foreign currency exchange rates.

Say:

When people from the United States travel to a different country, they often look at the exchange rates. By looking at the exchange rates, people can determine how much of that nation's money they can get in exchange for one U.S. dollar. Each of you has a copy of the current exchange rates. How many Mexican pesos can you get for one U.S. dollar?

Answers will vary depending on what day it is.

To determine how much of a nation's money you can get in exchange for U.S. dollars, multiply the exchange rate by the number of U.S. dollars you have.

Show students how to calculate how many Mexican pesos you can get for five U.S. dollars. To make it easier for students, round the numbers to the nearest hundredths place or allow students to use calculators.

2. Have students determine the value of the U.S. dollar in three different countries.

○ **If you could go to three different countries, where would you go?**

Have students name three different countries. As a group, choose three countries from all the countries that the students name.

Imagine that we have 500 U.S. dollars to spend in each country. Let's find out how much of each country's money we could get in exchange for 500 U.S. dollars.

As a group, calculate how much of each country's money you would get for 500 U.S. dollars. Have students look at the exchange rate listing to determine the exchange rates for the three different countries. Then write the equations on the chalkboard or chart paper.

Small-Group Activity Two: Spending Money

Concept Taught

Spending Money

Materials

- Book: *The Story of Money*
- Blank checks (enough for each student to have at least four)
- Store catalogs
- Handout: **Check Register** worksheet.

1. Talk about using checks and debit cards to make purchases.

○ Say:

People often use checks and debit cards to make purchases. Why do you think people use checks or debit cards to make purchases?

Allow students to share their ideas. Students may say that they use checks or credit cards because it is convenient or because they can easily keep track of how much money they spend.

- Give each student a blank check to look at.

When you write a check, you need to write the date, the name of the store where it says “Pay to the Order Of _____”—and the amount of the item you are purchasing. Then you need to write the amount in numbers in the box and in words on the line below the “Pay to the Order of _____” line. Your bank will then take that amount out of your account and give it to the store.

Show students how to write a check.

- **When you write a check or use a debit card, you should always write the amount of the transaction in your check register. This will help you avoid spending more money than you have. What will happen if you spend more money than you have?**

Allow students to respond.

If you write checks for more than the amount of money you have in your checking account, the bank may not give the store money, and it will probably charge you a fee. The store may also charge you a fee for writing a bad check.

2. Have students purchase items with a check.

- Give students some store catalogs to look at. Give each student four blank checks and the Check Register worksheet.
- **Imagine that you have 500 dollars in a checking account and you can purchase anything you want from these store catalogs. What would you purchase? Choose some items to purchase, and write a check for each item. After you write each check, make sure you record the transaction in your check register and determine your available balance.**

Allow students to write checks and purchase items from the store catalogs. Make sure that students keep track of all their transactions and that they don't spend more than 500 dollars.

Assessment

Check students' understanding by listening carefully to the responses they give during group discussions and on the **A Closer Look at Currencies** worksheet. Give students a blank piece of notebook paper. Have them write a paragraph that explains why people value money.

Suggested Online Activity

NOTE: Teachers should preview all sites to ensure they are age-appropriate for their students. At the time of publication, all URLs listed here were valid. In addition, some Web sites provide lessons via pop-up screens, so you may have to disable your computer's pop-up blocker software to access them.

Coins of the World

Have students visit the U.S. Mint's "Cartoons" Web site for kids at: www.usmint.gov/kids/index.cfm?Filecontents=/kids/cartoons/index.cfm.

Then ask students to click on the plane with the name “Coins of the World” below it and learn about the currencies and exchange rates.

National Standards Correlations

Economics

The activities in this lesson correlate to the following Voluntary National Content Standards in Economics, as determined by the National Council on Economic Education, found at: www.ncee.net/ea/standards.

Standard 5: Gain from Trade

Students will understand that: Voluntary exchange occurs only when all participating parties expect to gain. This is true for trade among individuals or organizations within a nation, and usually among individuals or organizations in different nations.

K–4 Grade Benchmarks:

- Exchange is trading goods and services with people for other goods and services or for money.
- The oldest form of exchange is barter, the direct trading of goods and services between people.

5–8 Grade Benchmarks:

- When people buy something, they value it more than it costs them; when people sell something, they value it less than the payment they receive.

Standard 10: Role of Economic Institutions

Institutions evolve in market economies to help individuals and groups accomplish their goals. Banks, labor unions, corporations, legal systems, and not-for-profit organizations are examples of important institutions. A different kind of institution, [and] clearly defined and enforced property rights, [are] essential to a market economy.

K–4 Grade Benchmarks:

- Banks are institutions where people save money and earn interest, and where other people borrow money and pay interest.

Standard 11: Role of Money

Money makes it easier to trade, borrow, save, invest, and compare the value of goods and services.

K–4 Grade Benchmarks:

- Money is anything widely accepted as final payment for goods and services.
- Money makes trading easier by replacing barter with transactions involving currency, coins, or checks.
- Most countries create their own currency for use as money.

5–8 Grade Benchmarks:

- As a store of value, money makes it easier for people to save and defer consumption until the future.

- As a unit of account, money is used to compare the market value of different goods and services.

Social Studies

In addition to economics, the activities in this lesson also correlate to the following *Curriculum Standards for the Social Studies*, from the National Council for the Social Studies, found at: www.socialstudies.org/standards.

VII. Production, Distribution, and Consumption

Social studies programs should include experiences that provide for the study of *how people organize for the production, distribution, and consumption of goods and services*, so that the learner can:

Middle Grades Benchmarks:

- d. Describe a range of examples of the various institutions that make up economic systems such as households, business firms, banks, government agencies, labor unions, and corporations.

Mathematics

In addition to economics, the activities in this lesson also correlate to the following *Principles and Standards for School Mathematics*, from the National Council of Teachers of Mathematics, found at: standards.nctm.org/document/index.htm.

Numbers and Operations Standards

Understand numbers, ways of representing numbers, relationships among numbers, and number systems

3-5 Grade Benchmarks:

- Develop fluency in adding, subtracting, multiplying, and dividing whole numbers.

Language Arts

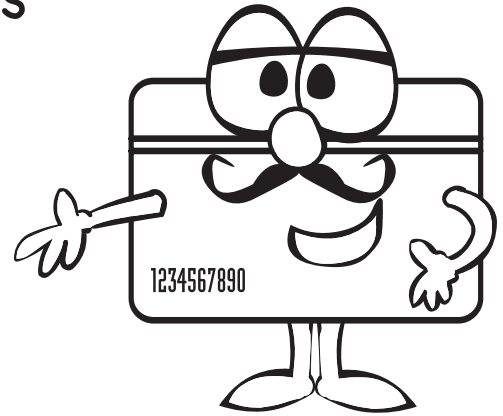
This lesson, based on the children's book *The Story of Money*, by Betsy Maestro, also correlates to the following *Standards for the English Language Arts*, from the National Council of Teachers of English, found at:

www.ncte.org/print.asp?id=110846&node=204.

1. Students read a wide range of print and non-print texts to build an understanding of texts, of themselves, and of the cultures of the United States and the world; to acquire new information; to respond to the needs and demands of society and the workplace; and for personal fulfillment. Among these texts are fiction and nonfiction, classic and contemporary works.
3. Students apply a wide range of strategies to comprehend, interpret, evaluate, and appreciate texts. They draw on their prior experience, their interactions with other readers and writers, their knowledge of word meaning and of other texts, their word identification strategies, and their understanding of textual features (e.g., sound-letter correspondence, sentence structure, context, graphics).

A Closer Look at Currencies

Name _____



Directions: Almost every country has its own official currency. Look at the U.S. Dollar and Japanese Yen. How do the designs on these bills reflect the cultures of the United States and Japan? Do you think it would be hard to make counterfeit copies? If you could design your own money, what would it look like? Draw a picture of it on the back. Then write a paragraph that explains what security features you would include.

