

**Choose the one alternative that best completes the statement or answers the question.**

- 1) The exchange rate is the 1) \_\_\_\_\_

  - A) price of one country's currency expressed in terms of another country's currency.
  - B) opportunity cost of pursuing a nation's comparative advantage.
  - C) ratio between imports and exports.
  - D) interest rate that is charged on risk-free international capital flows.

2) A decrease in the value of a currency in terms of other currencies is known as 2) \_\_\_\_\_

  - A) a par value.
  - B) a gold point.
  - C) an appreciation.
  - D) a depreciation.

| Currency           | Nov. 2015 exchange rate<br>(per U.S. dollar) | Nov. 2016 exchange rate<br>(per U.S. dollar) |
|--------------------|--|--|
| Euro               | 0.7466                                       | 0.8009                                       |
| Japanese<br>yen    | 100.2  | 114.61                                       |
| Canadian<br>dollar | 1.0436                                       | 1.1331                                       |

- 3) The table above shows the exchange rates between various currencies and the U.S. dollar. Between 2015 and 2016, the U.S. dollar \_\_\_\_\_ against the Euro and \_\_\_\_\_ against the Japanese yen. 3) \_\_\_\_\_

A) depreciated; appreciated B) appreciated; appreciated  
C) appreciated; depreciated D) depreciated; depreciated

4) The table above shows the exchange rates between various currencies and the U.S. dollar. Between 2015 and 2016, the Japanese yen \_\_\_\_\_ against the U.S dollar and the Euro \_\_\_\_\_ against the U.S. dollar. 4) \_\_\_\_\_

A) depreciated; appreciated B) depreciated; depreciated  
C) appreciated; appreciated D) appreciated; depreciated

5) When the exchange rate falls, in the foreign exchange market the 5) \_\_\_\_\_

A) quantity demanded of the currency decreases.  
B) quantity demanded of the currency increases.  
C) demand for the currency decreases.  
D) demand for the currency increases.

6) Airbus is an European jet airline producer. Indian Airlines wants to buy 23 Airbus planes from Airbus, due to increased demand for world travel. As a result 6) \_\_\_\_\_

A) the demand curve for European euros shifts rightward and the supply curve for Indian rupees shifts leftward.  
B) only the demand curve for European euros shifts rightward.  
C) only the demand curve for Indian rupees shifts rightward.  
D) the demand curve for European euros and the supply curve for Indian rupees both shift rightward.

7) If people expect the foreign exchange rate for dollars to rise in the future 7) \_\_\_\_\_

A) the demand for dollars today increases.  
B) the demand for dollars today is unaffected.  
C) the demand for dollars today decreases.  
D) there is a movement along the demand curve for dollars.

- 8) If a country's central bank does not intervene in the foreign exchange market, the country has 8) \_\_\_\_\_

  - A) a flexible exchange rate policy.
  - B) a fixed exchange rate policy.
  - C) a crawling peg exchange rate policy.
  - D) no exchange rate policy.

9) If the Fed sells U.S. dollars, the exchange rate 9) \_\_\_\_\_

  - A) does not change.
  - B) falls.
  - C) rises.
  - D) changes, but the direction depends on whether the Fed affected the demand for dollars or the supply of dollars.

10) Balance of payments accounts include 10) \_\_\_\_\_

  - A) the net interest income account.
  - B) the current account.
  - C) Both answers A and B are correct.
  - D) Neither answer A nor B is correct.

11) A country's balance of payments accounts records 11) \_\_\_\_\_

  - A) the international trading, borrowing, and lending positions of a country over a period of time.
  - B) only official transactions between governments over a period of time.
  - C) the flow of human and non-human capital among countries over a period of time.
  - D) only the goods and services purchases among countries over a period of time.

12) The account that records the receipts from the exports of goods and services sold abroad, the payments for imports of goods and services from abroad, net interest income paid abroad, and net transfers is the 12) \_\_\_\_\_

  - A) international capital account.
  - B) capital and financial account.
  - C) current account.
  - D) official settlements account.

13) The account that records foreign investment in the United States minus U.S. investment abroad is 13) \_\_\_\_\_

  - A) official settlements account.
  - B) capital and financial account.
  - C) current account.
  - D) U.S. official reserves account.

14) If the U.S. current account balance is -\$500 billion and the capital and financial account balance is +\$510 billion 14) \_\_\_\_\_

  - A) the U.S. official settlements account balance is \$10 billion.
  - B) foreign investment in the United States is smaller than the U.S. investment abroad.
  - C) U.S. exports are greater than U.S. imports.
  - D) the U.S. government's holdings of foreign currency increases by \$10 billion.

15) If a country is currently lending more to the rest of the world than it is borrowing from the rest of the world, the country is a 15) \_\_\_\_\_

  - A) debtor nation.
  - B) net lender.
  - C) creditor nation.
  - D) net borrower.