

# Tishk International University

## Question Bank

### International Economics

#### Q.1. Multiples Choice Questions

Please, answer the following multiple-choice questions

1. When the value of the British pound changes from \$1.25 to \$1.50, then
  - (a) the pound has appreciated and the dollar has appreciated.
  - (b) the pound has depreciated and the dollar has appreciated.
  - (c) the pound has appreciated and the dollar has depreciated.
  - (d) the pound has depreciated and the dollar has depreciated.
  
2. Product method of calculating national income is also known as:
  - a) Income method
  - b) Value added method
  - c) Expenditure method
  - d) Distribution method
  
3. A depreciation of a currency occurs when:
  - a) The value of the currency falls
  - b) The value of the currency increases
  - c) Inflation falls
  - d) The balance of payments improves
  
4. National Income differs from Net National Product at market price by the amount of:
  - a) Current transfers from rest of the world
  - b) Net Indirect Taxes
  - c) National debt interest
  - d) it does not differ

5. A fall in the external value of a currency:

- a) May cause an outward shift in the demand for the currency
- b) May cause an inward shift in the supply for the currency
- c) May lead to a movement along the demand curve for a currency
- d) May be due to an increase in demand for the country's exports

6. Net national product at factor cost is also known as:

- (a) Net Domestic product
- (b) Gross National product
- (c) National Income
- (d) Personal Income

7. National Income can be explained from

- (a)  $G = C + I + Y$
- (b)  $C = Y + I + G$
- (c)  $I = C + Y + G$
- (d)  $Y = C + I + G$

8. The balance of payments of a country records flows of money from:

- a) Quotas
- b) Subsidies
- c) GATT
- d) Exchange Controls

9. The immediate (two-day) exchange of one currency for another is a

- (a) forward transaction.
- (b) spot transaction.
- (c) money transaction.
- (d) exchange transaction.
- (e) daily transaction.

10. Which of the following will cause the exchange rate of a currency to go up?

- a) A balance of payments deficit.
- b) An increase in investment flows into the country
- c) An increase in the demand for imports.
- d) Speculation that the exchange rate will fall.

11. Which of the following would cause to exchange rate of a currency to go down?

- a) An increase in investment flows into a country.
- b) An increase in the demand for imports
- c) Speculation that the exchange rate will rise.
- d) An increase in the demand for exports.

12. FDI stands for

- a) foreign domestic investment.
- b) foreign direct intervention.
- c) foreign direct investment.
- d) foreign direct intermediation.

13. The euro is:

- a) a weighted average of the currencies of EU member countries.
- b) a currency, the value of which is determined by demand and supply
- c) a currency that is only traded offshore.
- d) the currency of EU member countries.

14. The exchange rate is

- (a) the price of one currency relative to gold.
- (b) the value of a currency relative to inflation.
- (c) the change in the value of money over time.
- (d) the price of one currency relative to another.
- (e) all of the above.

15. Exchange rates are determined in

- (a) the money market.
- (b) the foreign exchange market.
- (c) the stock market.
- (d) the capital market.
- (e) both (b) and (c) of the above.

16. When the value of the British pound changes from \$1.50 to \$1.25, then

- (a) the pound has appreciated and the dollar has appreciated.
- (b) the pound has depreciated and the dollar has appreciated.
- (c) the pound has appreciated and the dollar has depreciated.
- (d) the pound has depreciated and the dollar has depreciated.

17. The balance of payments of a country records flows of money from:

- a) imports and exports and investment flows.
- b) imports and exports and investments flows and speculative flows.
- c) imports and exports and domestic demand.
- d) imports and exports.

**Q. Please, answer of the following questions**

1. What is National Income accounting?
2. What influence aggregate demand of Money?
3. Is the importance of national income accounting in an economy?
4. What is balance of payment? What are its components?
5. Define and distinguish spot, forward and swap transactions. What is each likely to be used for?
6. Explain the appreciation and depreciation of national currency?
7. What is balance of payment? What are its components?

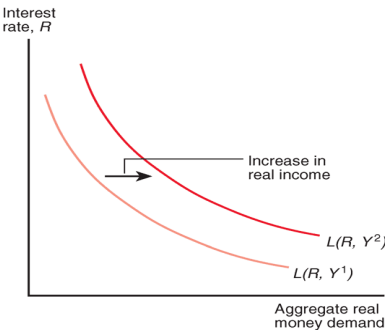
**Q. Write a short note on**

8. Balance of Payment
9. Money Demand
10. Forward Rate
11. Current Account
12. Balance of Payment
13. Price level
14. Domestic and foreign rates
15. Vehicle currency
16. Spot Rate
17. International Market players (Actors)
18. Aggregate demand vs real income
19. Price level vs price index
20. Financial Account

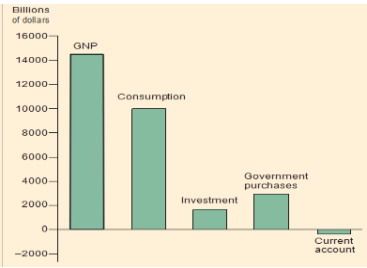
**Q. Please, answer the following Essay question**

- 21. Why would it be useful to examine a country’s balance of payments data?
- 22. Why would it be useful to examine a country’s balance-of-payments data?
- 23. Explain the role of National Income in open economy?
- 24. Explain the importance of fixed and forward rates in export.
- 25. Explain how to compute the overall balance and discuss its significance.
- 26. How are foreign exchange transactions between international banks settled?
- 27. What decision should take by economy in appreciation and depreciation of currency?

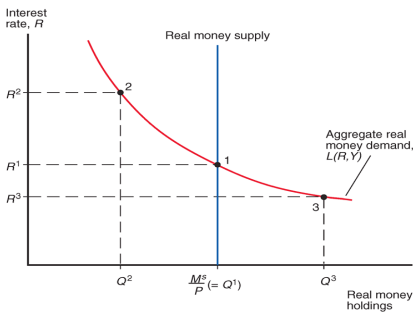
**Q.28. Explain graph with suitable example**



**Q.29. Explain graph with suitable example**



**Q.30. Explain the Graph with suitable example**



**Q.31. Explain the Graph with suitable example**

