**FIN333 Global Finance**

Homework Assignment 1

Please submit your homework on CourseSite in a single file in **.pdf format** with file name as ‘your last name FIN333HW1.pdf’. The deadline is October 15th, 2023, 11:59 pm.

*\*You need to show your work to get credit.*

1. (30 points) Suppose that the pound is pegged to gold at £6 per ounce, and the U.S. dollar is pegged to gold at $36 per ounce. The current market exchange rate between pounds and U.S. dollars is $5 = £1.
2. If you have $500 to invest, how would you take advantage of this situation and how much profit would you make in terms of dollar?
3. If you have £100 to invest, how would you take advantage of this situation and how much profit would you make in terms of pound?
4. We assume that there is no transaction cost or shipping cost in part a and b, what would be the effect of these costs?
5. (30 points) Assess the possibility of a future international monetary system based on cryptocurrencies such as Bitcoin along the three criteria of an ideal international monetary system.
6. (20 points) Discuss the benefits and costs for countries of the European Monetary Union to have a common currency Euro. You can refer to the impossible trinity theory.
7. (20 points) Explain how each of the following transactions will be recorded as the debit or credit of the U.S. balance of payments:
8. A Japanese insurance company purchases $1,000,000 U.S. Treasury bonds and pays out of its bank account kept in New York City.
9. A Chinese immigrant living in Los Angeles sends a check of $5,000 drawn on his L.A. bank account as a gift to his parents living in Beijing.
10. A U.S. computer programmer is hired by a British company for consulting and gets paid for $80,000 from the U.S. bank account maintained by the British company.