

- 25** A foreign government pays a UK university to educate its students.

How would this be recorded on the balance of payments current account of the UK?

	current account component	money flows
<b>A</b>	secondary income	inflow
<b>B</b>	secondary income	outflow
<b>C</b>	trade in services	inflow
<b>D</b>	trade in services	outflow

- 26** The tables show changes over a period in the average prices of a country's exports and imports. They are expressed as index numbers, with year 0 as 100.

index of export prices			index of import prices		
year 0	year 1	year 2	year 0	year 1	year 2
100	115	125	100	120	125

What is the change in the country's terms of trade index between years 1 and 2?

- A** It improves by about 10%.
- B** It improves between 4% and 5%.
- C** It stays the same.
- D** It worsens between 4% and 5%.
- 27** Which aim would be consistent with a government's decision to buy its own currency in foreign exchange markets?
- A** an appreciation under a freely floating exchange rate system
- B** an appreciation under a managed float exchange rate system
- C** a depreciation under a fixed exchange rate system
- D** a devaluation under a managed float exchange rate system
- 28** Which policy would assist in reducing a deficit within the balance of payments?
- A** increasing interest rates
- B** increasing the money supply
- C** reducing subsidies to exporting industries
- D** reducing the level of direct taxation