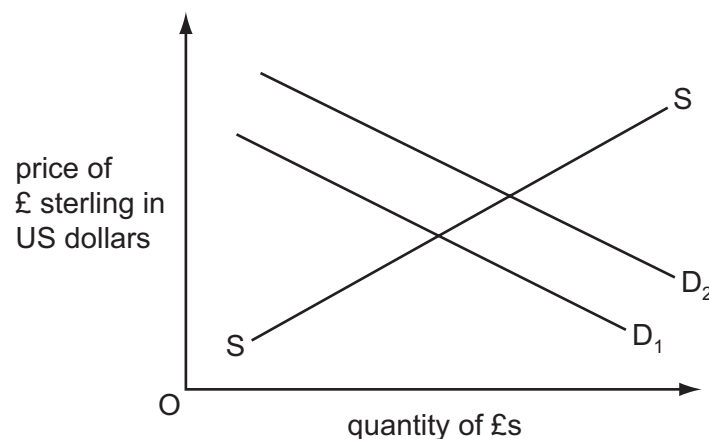


- 27** With an exchange rate of 30 Thai baht to \$US1 an American export sells in Thailand for 150 baht.
- What change in the exchange rate of the baht would cause the export to sell for 165 baht?
- A** a depreciation of 10%
  - B** a depreciation of 15%
  - C** an appreciation of 10%
  - D** an appreciation of 15%

- 28** The diagram shows demand and supply curves of the £ sterling against the US dollar.



What is likely to cause a shift in the demand curve from  $D_1$  to  $D_2$ ?

- A** an adverse balance of payments in the UK
  - B** an increased demand for UK goods in the USA
  - C** an increase in UK tourists visiting the USA
  - D** an increase in US interest rates
- 29** According to the Purchasing Power Parity theory, what determines the rate of exchange between two countries?
- A** relative price levels in the two countries
  - B** the bargaining power of the respective governments
  - C** the comparative advantage of the two countries
  - D** the size of their foreign currency reserves