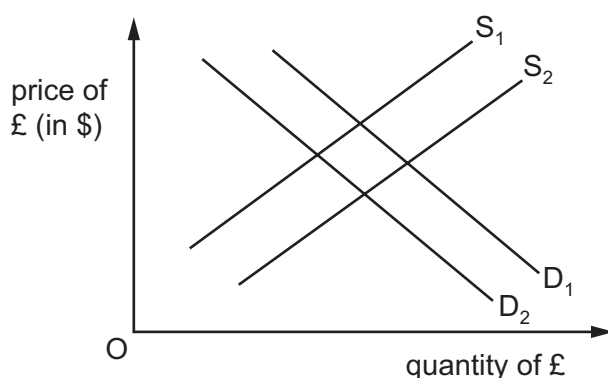


- 23** In the diagram  $D_1$  and  $S_1$  are the initial supply and demand curves of the pound sterling (£) on the foreign exchange markets.



What will cause the demand curve to shift to  $D_2$  and the supply curve to  $S_2$ ?

- A** a decrease in the price levels of other countries
  - B** a depreciation of the pound sterling
  - C** a reduction in the level of UK import tariffs
  - D** an increase in UK interest rates
- 24** An economy's terms of trade fell from the base year of 100 to 90.

Which changes in the export price index and the import price index would have caused this?

	export price index change	import price index change
<b>A</b>	0	-10
<b>B</b>	0	+10
<b>C</b>	-10	0
<b>D</b>	-10	+10

- 25** Kenya produces some of the finest teas much of which it exports. Its climate is not so suited to producing olives but the olives can be sold for a higher price per sack.

What would definitely happen if a Kenyan company used some of the land where tea is grown to plant olive trees?

- A** The company would have a comparative advantage in trade.
- B** The company's revenue would increase.
- C** There would be a decrease in the credit side of the trade in goods and services.
- D** There would be an opportunity cost from lost tea production.