

- 21 A country replaces a floating exchange rate system with a managed floating exchange rate system.

Which statement is correct?

- A Its central bank would have to intervene more frequently in the foreign exchange market.
- B Its central bank would need to hold fewer foreign currency reserves.
- C The value of its currency would be determined by its major trading partners.
- D The value of its currency would be determined by the value of the US dollar.

- 22 What will be the immediate effect of a devaluation of an economy's foreign exchange rate?

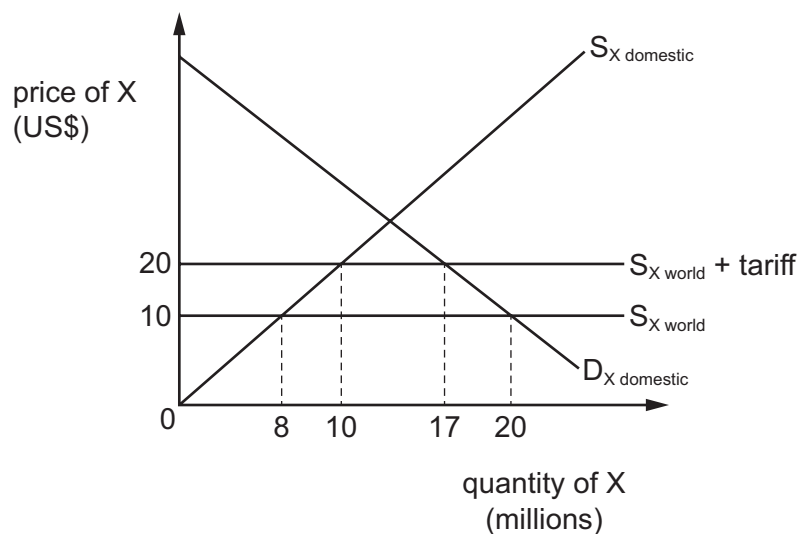
- A The price of imported goods in the domestic currency will fall.
- B The price of imported goods in the domestic currency will rise.
- C The price of imported goods in the foreign currency will fall.
- D The price of imported goods in the foreign currency will rise.

- 23 A country has a deficit on the current account of its balance of payments.

What might help the country to reduce its deficit?

- A a decrease in its rate of income tax
- B a decrease in its tariffs
- C an increase in its level of employment
- D an increase in its subsidies to exporters

- 24 The diagram shows the effect of removing a tariff on imports of good X into country Y.



What is the volume, in million units, of the **extra** international trade created by removing the tariff?

- A 3
- B 5
- C 10
- D 12