

- 25 A country has no controls on transactions in foreign exchange and allows its exchange rate to float freely.

What will always be zero?

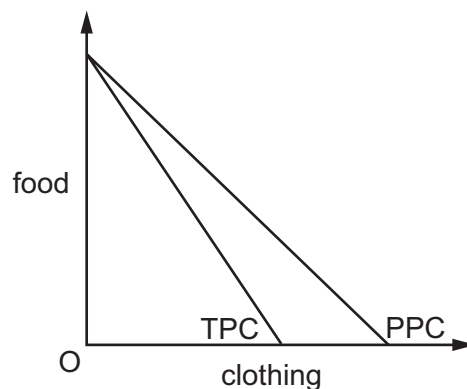
- A net inward investment
- B the country's foreign exchange reserves
- C the current account balance of payments position
- D the overall balance of payments position

- 26 The table gives the terms of trade index for Brunei Darussalam for the period 2009 to 2012.

	2009	2010	2011	2012
terms of trade index	100.0	107.2	124.9	134.5

What can be concluded from the table?

- A Export prices were 34.5% higher in 2012 than in 2009.
  - B Import prices were 34.5% lower in 2012 than in 2009.
  - C The ratio of export to import prices was 34.5% higher in 2012 than in 2009.
  - D The terms of trade increased by 34.5% during 2012.
- 27 The diagram shows an economy's production possibility curve, PPC, and trading possibility curve, TPC.



Why is the diagram **not** able to demonstrate the benefits of international trade?

- A It assumes there are no transport costs and no barriers to trade.
- B It deals with only two products.
- C The curves are drawn as straight lines.
- D The position of the curves does not support the existence of benefits.