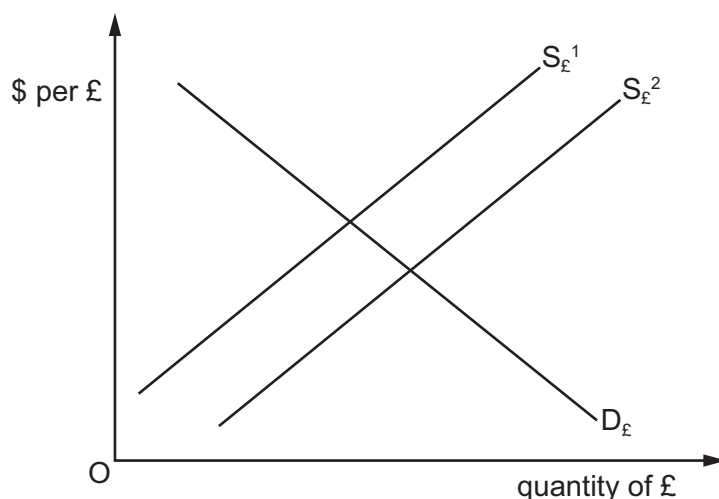


- 19 Which change will **not** affect the balance of payments current account?
- A a rise in export and import prices
  - B a rise in foreign aid flows
  - C a rise in international exchange rates
  - D a rise in foreign direct investment
- 20 Which statement correctly describes how an import quota works?
- A It is a ban on the import of demerit goods.
  - B It imposes strict product regulations on imports.
  - C It is a unit tax that raises the price of imported goods.
  - D It limits the quantity of certain imported goods.
- 21 Country X conducts 60% of its trade with country Y and 40% of its trade with country Z. The initial value of the trade-weighted exchange rate index of country X is 100.
- What will be its new trade-weighted exchange rate index value if its currency falls in value by 20% against the currency of country Y and rises by 10% against the currency of country Z?
- A 84
  - B 90
  - C 92
  - D 116
- 22 The diagram shows a freely floating foreign exchange market in the United Kingdom (UK) for the demand and supply of pounds sterling (£) in exchange for United States (US) dollars (\$).



What could cause the downward shift shown?

- A UK interest rate falls below US interest rate.
- B The demand for UK exports is price-elastic and prices increase.
- C The demand for US exports is price-elastic and prices decrease.
- D People believe that sterling will appreciate.