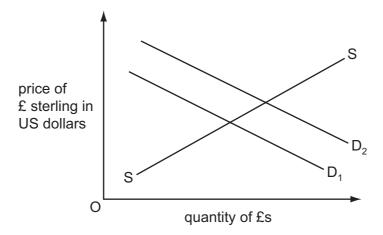
27 With an exchange rate of 30 Thai baht to \$US1 an American export sells in Thailand for 150 baht.

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