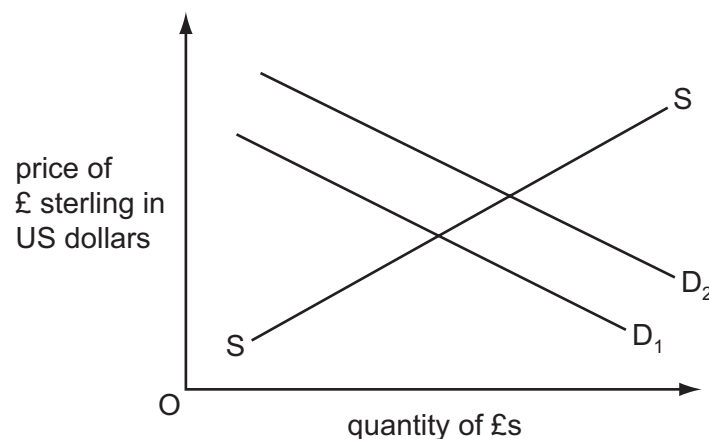


- 27 With an exchange rate of 30 Thai baht to \$US1 an American export sells in Thailand for 150 baht. What change in the exchange rate of the baht would cause the export to sell for 165 baht?
- A a depreciation of 10%
 - B a depreciation of 15%
 - C an appreciation of 10%
 - D an appreciation of 15%

- 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