Name: ___________________________ Date: _____________

1. What does knowing that $1.25 buys one euro tell you?
   A) the currency reserve ratio
   B) the exchange rate
   C) the foreign money replacement rate
   D) the capital index conversion rate

2. If the exchange rate between the U.S. dollar and the Canadian dollar was US$1.25 for C$1, then a shirt that costs US$20 would cost:
   A) C$25.
   B) C$21.25.
   C) C$18.75.
   D) C$16.

3. An exchange rate is the cost, or price, of:
   A) exporting goods.
   B) importing goods.
   C) borrowing in a foreign country.
   D) one currency in terms of another.

4. A decrease in the value of the domestic currency in terms of other currencies is called __________ of the domestic currency.
   A) a parity
   B) a discount
   C) an appreciation
   D) a depreciation

5. If the exchange rate between the Japanese yen and the dollar was ¥110 = $1 in 2006 and ¥120 = $1 in 2009, then between 2006 and 2009:
   A) the yen appreciated against the dollar.
   B) the yen depreciated against the dollar.
   C) both the yen and the dollar appreciated.
   D) both the yen and the dollar depreciated.

6. Consider the exchange market for the U.S. dollar versus the Japanese yen. The supply of yen comes from:
   A) the U.S. only.
   B) Japan only.
   C) both the U.S. and Japan.
   D) None of the answers is correct.

7. When the exchange rate is written as dollars per yen, the exchange rate represents the:
   A) official government price of the dollar.
   B) official government price of the yen.
   C) price of 1 yen in dollars.
   D) price of 1 dollar in yen.

8. When the exchange rate is written as dollars per yen, an increase in the exchange rate means that:
   A) the yen is increasing in value.
   B) the dollar is decreasing in value.
   C) Japanese goods are becoming more expensive in the U.S.
   D) All of the answers are correct.

9. An increase in the demand for a country's exports will have what effect on its currency?
   A) Its value will not change.
   B) Its value will increase.
   C) Its value will decrease.
   D) Its value will depreciate.

10. When a country becomes more attractive for foreign investment we would expect an:
   A) increase in foreign direct investment in the country.
   B) appreciation in the country's exchange rate.
   C) increase in the demand for that country's currency.
   D) All of the answers are correct.

Answer Key

1. B
2. D
3. D
4. D
5. B
6. B
7. C
8. D
9. B
10. D