1. If the U.S. dollar changes from $1 = 2 pesos to $1 = 3 pesos:  (green)

the U.S. dollar has depreciated

the two currencies are almost equal

it is not a good time to travel to Mexico

the U.S. dollar has appreciated

2. In drawing a foreign exchange market for the U.S. dollar against the Yen:   (blue)

the Yen is labeled on the X axis

the U.S. dollar is labeled on the X axis

the U.S. dollar is labeled on the Y axis

the U.S. dollar per Yen is labeled on the Y axis

3. As a whole, economists summarize a country's transactions with other countries with a(n):  (green)

financial account

current account

exchange rate

balance of payments account

4. If Country X sold more goods and services to the rest of the world than they purchased, then   (gold)

Country X has a trade deficit

Country X has a budget deficit

**Country X has a trade surplus**

Country X has a budget surplus

5. When the value of Mexico's imports exceeds the value of Mexico's exports, they have: (gold)

a trade surplus

hyperinflation

a trade deficit

a price deficit

6. When the U.S. gives foreign aid to Africa, which balance of payments account is affected? (green)

financial account

capital account

foreign exchange account

current account

7. When a Japanese investor buys stock in General Motors, the \_\_\_\_\_ is affected: (gold)

current account on the balance of payments

export account on the balance of payments

financial account on the balance of payments

financial account of the exchange rate

8. The U.S. exports corn to other nations. On the U.S. balance of payments account, this would be:   (red)

a payment from foreigners in the current account

a payment from foreigners in the financial account

a payment to foreigners in the current account

a payment to foreigners in the financial account

9. If a country has a current account deficit, it must have a:  (blue)

current account surplus

financial account surplus

financial account defici

balanced financial account

10. The exchange rate is the:  (gold)

interest rate differential between countries

balance of trade differential between countries

relative price of currencies between countries

terms of trade for two products between two countries

11. Which of the following situations would affect the U.S. current account?  (blue)

A U.S. company buys a shopping mall in Canada

A U.S. company sells planes to a Korean company

A Canadian invests $10 million in a ski resort in the U.S.

A German investor buys $50,000 worth of U.S. bonds

12. Which of the following situations would affect the U.S. financial account? (green)

Italian tourists spend $5 million in the U.S. on sovenirs

A British company sells tea to the U.S.

An illegal immigrant living in the U.S. sends money to Korea

An American purchases 20,000 acres in Germany

13. The current account on balance of payments for the U.S. will move toward a deficit if:  red

U.S. income increases relative to other countries

the U.S. dollar depreciates relative to other countries

real interest rates in the U.S. decreases relative to Japan

real interest rates in the U.S. increase relative to Japan

14. The U.S. dollar has appreciated if it moves from: (red)

$2 = 1 euro to $1 = 1 euro

a higher exchange rate to a lower exchange rate

$1 = 1 euro to $2 = 1 euro

$.80 cents = 1 euro to $1 = 1 euro

15. On the FOREX for the U.S. against the Canadian dollar, \_\_\_ is demanding and \_\_\_ is supplying:  (blue)

the U.S. - Canada

Canada - the U.S.

Canada - Canada

the U.S. - the U.S.

16. If European tourists visit Mexico, which of the following is true on the FOREX? (red)

supply increases on the FOREX for Europe

supply decreases on the FOREX for Europe

demand increases on the FOREX for Europe

demand decreases on the FOREX for Mexico

17. When U.S. citizens prefer Japanese technology versus technology produced in the U.S., then:  (blue)

demand decreases on the FOREX for Japan

demand increases on the FOREX for Japan

supply decreases on the FOREX for the U.S.

the value of the U.S. dollar appreciates

18. All of the following are true regarding international trade except:  (green)

Exports increase when that country's currency depreciates

A balance of payments account includes exports and imports

A balance of payments account includes capital inflows

Exports are a debit in a country's balance of trade

19. Which of the following is the best example of foreign direct investment?  (blue)

The U.S. sends earthquake relief to Haiti

A German company buys a factory in the U.S.

An American business sells machinery to a company in Japan

The Chinese government buys American military supplies

20. If the inflation rate in Britain is higher than its trading partners, the British pound will: (green)

increase in demand increase in supply

increase in demand and decrease in supply

decrease in demand and decrease in supply

decrease in demand and increase in supply

21. If the demand for the Mexican Peso increases relative to the U.S. dollar, then the: (red)

Mexican Peso would appreciate

Mexican Peso will depreciate

U.S. dollar would appreciate

supply of U.S. dollars would decrease

22. An increase in China's demand for U.S. goods would cause the U.S. dollar to: (blue)

depreciate because of inflation

appreciate because China would be buying more U.S. dollars

depreciate because Americans would sell more U.S. dollars

appreciate because China would be selling more U.S. dollars

23. If interest rates in Country X increase relative to interest rates in Country Y, there will be:  (gold)

a decrease in the demand for the currency in Country X

an increase in the supply for the currency in Country X

an increase in capital inflow into Country X

decrease in capital inflow into Country X

24. What is the impact on Japanese exports if Japan's price levels increase relative to the U.S.?  (blue)

Exports decrease and the U.S. dollar depreciates

Exports decrease and the U.S. dollar appreciates

Exports increase and the U.S. dollar depreciates

Imports increase and the U.S. dollar appreciates

25. When a country lets the exchange rate go wherever the market takes it, a country has a(n) \_\_\_\_\_  (gold)

exchange rate regime

fixed exchange rate

floating exchange rate

foreign exchange rate