

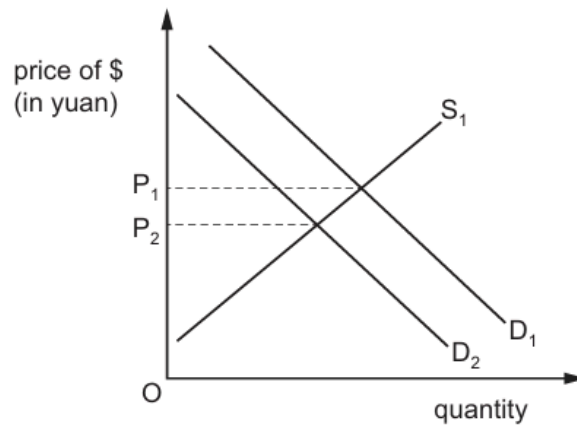
IGCSE CIE

Economics MCQ

Foreign Exchange Rates (QP)

1. May 2024-11/29

In the diagram, curves D_1 and S_1 relate to the demand and supply of the US dollar (\$) against the Chinese yuan.



What is most likely to cause the demand curve for US dollars to shift from D_1 to D_2 ?

- A** a fall in Chinese interest rates
- B** a fall in US interest rates
- C** a faster growth rate in the US economy
- D** a reduction in the US government budget deficit

2. May 2024-12/29

The table shows the average exchange rate of the UK pound (£) to the US dollar (\$), that is the amount of \$ that can be bought with £1.

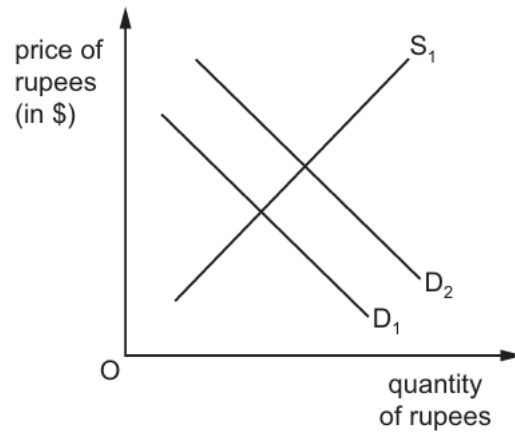
year	exchange rate UK£/US\$
1	1.64
2	1.52
3	1.35
4	1.25

What is a likely effect of this change on the UK economy?

- A** decreased cost-push inflation
- B** decreased current account deficit
- C** increased quantity of imports
- D** increased trade deficit

3. May 2024-13/29

The diagram shows the market for the Indian rupee in US\$.



What will cause the demand curve for rupees to shift from D_1 to D_2 ?

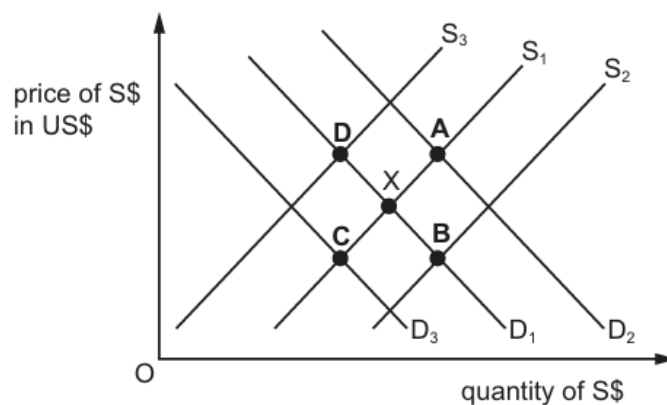
- A** a fall in Indian exports to the US
- B** a fall in the US inflation rate
- C** a rise in foreign direct investment into India
- D** a rise in interest rates in the US

4. March 2024-12/29

The diagram shows the foreign exchange market for the Singapore dollar (S\$) in exchange for the United States dollar (US\$). The initial equilibrium point is at X.

The following month, Singapore imports more goods from the US but there is no change in Singapore exports to the US.

What is the new equilibrium point?



5.Oct 2023-11/29

The world demand for oil is price-inelastic and oil is paid for in US dollars.

If the price of oil falls rapidly, how might it affect the US dollar?

	market for US\$	exchange rate for US\$
A	greater demand for US\$	increases
B	greater supply of US\$	decreases
C	less demand for US\$	decreases
D	less supply of US\$	increases

6. Oct 2023-12/29

Which factor would cause a country's exchange rate to fall?

- A** Demand for imports increases.
- B** Domestic interest rates rise.
- C** Domestic savings increase.
- D** More tourists visit the country.

7. Oct 2023-13/29

A country's foreign exchange rate appreciates significantly.

Which group in the country will directly benefit from this change?

- A** a government department which only buys locally made goods
- B** retailers who get all their supplies from foreign producers
- C** workers in local companies that compete with foreign firms in the local market
- D** workers in local companies that sell only in foreign countries

8.May 2023-11/29

An Argentine product initially sells in the US for \$50 when the exchange rate between the two countries is 5 pesos to 1 dollar.

The exchange rate changes to 10 pesos to 1 dollar and the price of the product remains unchanged in Argentina.

What will be the new price of the product in the US?

- A** \$5
- B** \$25
- C** \$100
- D** \$500

9. May 2023-12/29

What would increase the demand for a country's currency on the foreign exchange market?

- A** a decrease in its inward investment
- B** a decrease in its rate of interest
- C** an increase in its exports
- D** an increase in its imports

10. May 2023-13/29

A developing country's two major sources of income from international trade are fishing and tourism.

If the country's exchange rate depreciated, what is likely to happen?

- A** Imported goods would become cheaper for local people.
- B** The country would definitely become poorer.
- C** The price of fish sold as exports would become cheaper.
- D** Tourists to the country would be discouraged by higher prices.

11. March 2023-12/29

What is an advantage of a floating exchange rate for an economy?

- A** It can correct a current account deficit or surplus.
- B** It creates certainty for firms importing goods.
- C** It increases government control of the economy.
- D** It stops money flows into and out of the economy.

12. May 2022-11/27

What is the definition of *foreign exchange rate*?

- A** the difference between emigration and immigration
- B** the difference between the values of imports and exports
- C** the price of one currency in terms of another
- D** the price of one good in terms of another

13. May 2022-12/27

The price of a currency in a fixed exchange rate system is reduced.

What is this called?

- A appreciation
- B depreciation
- C devaluation
- D revaluation

14. May 2022-12/29

'International companies have made substantial investments in computer production in India. India is now a major centre of the world computer industry. Profit margins are high since labour costs are a tenth of those in the US.'

What does this suggest is the reason for companies locating in India rather than in the US?

- A access to cheap land
- B availability of capital investment
- C availability of investment funds
- D competitive wage rates

15. March 2022-12/30

The UK wants to increase exports to the US.

Which action will **most** likely achieve this?

- A borrowing US dollars from international banks
- B devaluing UK pounds against the US dollar
- C placing a quota on imports from the US
- D selling US dollars to buy UK pounds

16. Oct 2021-11/30

What is an immediate effect for a country of a fall in its foreign exchange rate?

- A a fall in the money supply
- B an increase in purchasing power
- C cheaper imports
- D more competitive exports

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19.May 2021-11/29

A US car dealer agrees an import price of US\$25 000 for a Japanese car at the current rate of exchange.

The US dollar then strengthens by 10% against the Japanese yen.

What will be the new import price paid for the Japanese car?

- A** US\$20 000 **B** US\$22 500 **C** US\$25 000 **D** US\$27 500

20.May 2021-13/29

What does a foreign exchange rate between Malaysia and the US measure?

- A** the cost of the Malaysian currency in the US currency
- B** the difference in the cost of living between Malaysia and the US
- C** the difference in the standard of living between Malaysia and the US
- D** GDP of Malaysia divided by the GDP of the US