Assignment 7

The due date for submitting this assignment has passed.
As per our records you have not submitted this assignment.

1. The _______ states that exchange rates between any two currencies will adjust to reflect changes in the price levels of the two countries.
   - theory of purchasing power parity
   - law of one price
   - theory of money neutrality
   - quantity theory of money
   No: the answer is incorrect. Score: 0
   Accepted Answer: theory of purchasing power parity

2. If a country experiences _______ productivity relative to other countries, its currency will _______ because the cost of producing goods _______.
   - increase, appreciate, increases
   - decrease, depreciate, decreases
   - increase, appreciate, decreases
   - decrease, depreciate, increases
   No: the answer is incorrect. Score: 0
   Accepted Answer: decrease, depreciate, decreases

3. Unlike fixed exchange rate systems, the currency rate after the market is maintained through:
   - official intervention
   - floating exchange rate
   - revaluation of foreign exchange
   - central bank of the country
   No: the answer is incorrect. Score: 0
   Accepted Answer: official intervention

4. When the nation sells the exchange market, there is concern about the exchange rate due to the selling of its currency; the exchange market equilibrium is restored if _______.
   - fixed exchange rate
   - floating exchange rate
   - exchange rate
   - the above
   No: the answer is incorrect. Score: 0
   Accepted Answer: floating exchange rate

5. The system of fixed rate where adjustments in exchange rates are made periodically is:
   - crawling band
   - floating band
   - horizontal band
   - independent floating
   No: the answer is incorrect. Score: 0
   Accepted Answer: crawling band

6. Interest rate parity refers to the concept that:
   - some goods must sell for the same price across countries
   - real interest rates across countries will eventually be the same
   - nominal interest rates across countries will eventually be the same
   - banks fixed deposit rates for similar maturity will be same
   No: the answer is incorrect. Score: 0
   Accepted Answer: real interest rates across countries will eventually be the same

7. If the inflation rate in A is 8% and the inflation rate in B is 1.5%, then calculate the real interest rate:
   - 11.5%
   - 3.3%
   - 5.7%
   - 1%
   No: the answer is incorrect. Score: 0
   Accepted Answer: 3.3%

8. If you want a 5% real interest rate and the expected inflation rate is 3%, you should sell the nominal interest at:
   - 1%
   - 4%
   - 9%
   - 20%
   No: the answer is incorrect. Score: 0
   Accepted Answer: 1%

9. The Indian rupee is freely convertible:
   - Increased current account transactions
   - Increased capital account transactions
   - Increased transactions of gold
   Which of the statements given above are correct?
   - 1 only
   - 3 only
   - 1 and 2
   - 1, 2 and 3
   No: the answer is incorrect. Score: 0
   Accepted Answer: 1 only

10. The potential for an increase or decrease in the parent's net worth and reported net income caused by a change in exchange rates since the last consolidation of international operations is a reflection of:
   - economic exposure
   - operating exposure
   - exchange rate exposure
   - translation exposure
   No: the answer is incorrect. Score: 0
   Accepted Answer: translation exposure