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4 In 2024 the value of Nigeria's currency, the naira, depreciated significantly against the US dollar.

Which **one** of the following combinations of foreign currency transactions would Nigeria's central bank use if it wanted to raise the value of the naira against the US dollar?

		Nigerian naira	US dollar
☒	**A**	Sell	Sell
☒	**B**	Sell	Buy
☒	**C**	Buy	Sell
☒	**D**	Buy	Buy

(Total for Question 4 = 1 mark)

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5 In 2022 the value of Japan's currency, the yen, depreciated significantly against the US dollar. Japan's central bank intervened in the currency markets to increase the external value of its currency.

Which **one** of the following combinations of foreign currency transactions would Japan's central bank be most likely to use if it wanted to raise the value of the yen against the US dollar?

		Japanese yen	US dollar
☒	**A**	Buy	Buy
☒	**B**	Buy	Sell
☒	**C**	Sell	Buy
☒	**D**	Sell	Sell

Answer TWO questions from this section.

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8 In 2022 the value of Japan's currency, the yen, fell by 35% against the US dollar.

Japan's central bank intervened in the currency markets to increase the external value of the yen. This intervention cost the central bank $20.8 billion.

Evaluate policies that can be used to prevent a country's exchange rate from depreciating. Refer to a developed country of your choice in your answer.

(Total for Question 8 = 20 marks)

Answer TWO questions from this section.

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8 Between September 2021 and September 2022 the US dollar appreciated by nearly 18% against the euro.

Evaluate the likely economic effects of an appreciation of a country's currency on its economy. Refer to a developed country of your choice in your answer.

(Total for Question 8 = 20 marks)

2 Between January 2021 and November 2021 the eurozone currency, the euro, depreciated against the US dollar from €1 = $1.23 to €1 = $1.13.

Which **one** of the following could have caused the depreciation in the exchange rate of the euro against the US dollar?

- ☒ **A** There was greater economic stability in the eurozone than in the USA
- ☒ **B** The eurozone inflation rate decreased relative to that in the USA
- ☒ **C** There was more capital flight from the eurozone than from the USA
- ☒ **D** The eurozone interest rate increased relative to that in the USA

(Total for Question 2 = 1 mark)

6 In July 2022 the Central Bank of India aimed to increase the value of the Indian rupee against the US dollar.

Which **one** of the following combinations of foreign currency transactions would the Central Bank of India use to increase the value of the rupee against the US dollar?

		Rupee	Dollar
☒	**A**	Buy	Buy
☒	**B**	Sell	Buy
☒	**C**	Buy	Sell
☒	**D**	Sell	Sell

(Total for Question 6 = 1 mark)

TOTAL FOR SECTION A = 6 MARKS

10 In 2022 Pakistan's currency, the rupee, fell by 27% against the US dollar.

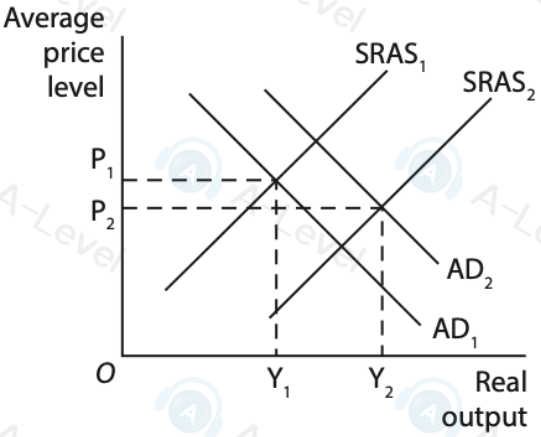
Evaluate factors that might cause a depreciation of the exchange rate of one currency against another currency. Refer to a developing country of your choice in your answer.

(Total for Question 10 = 20 marks)

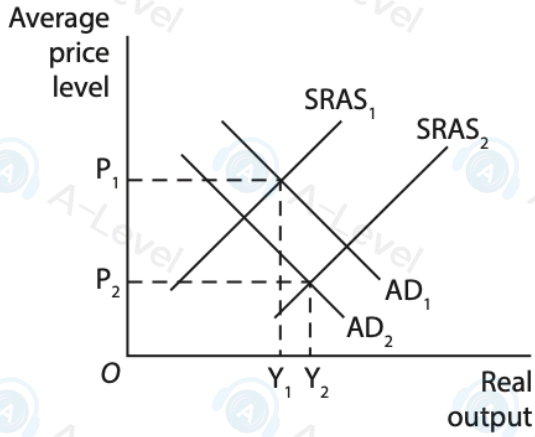
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4 In each of the diagrams the original equilibrium is represented by P_1 and Y_1.

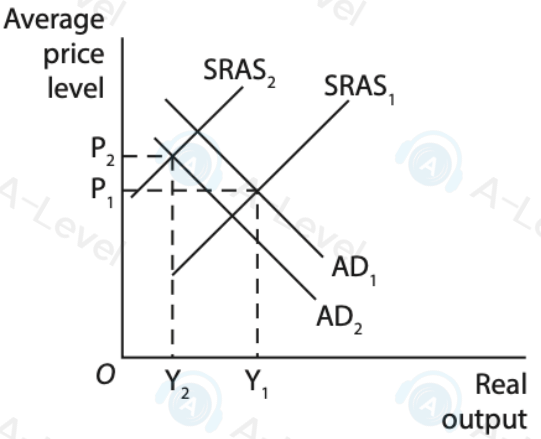
A



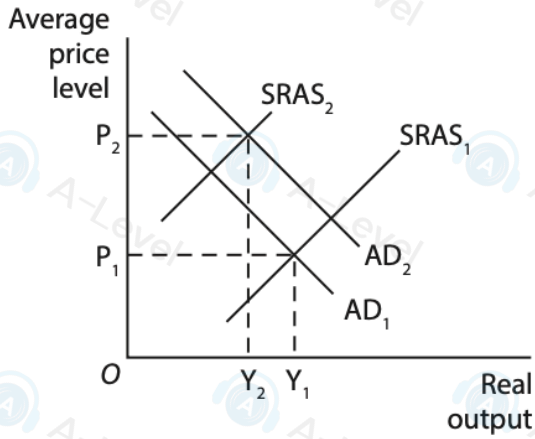
B



C



D



Which **one** of these aggregate demand (AD) and short-run aggregate supply (SRAS) diagrams represents the most likely effect of a substantial currency depreciation?

- ☒ **A**
- ☒ **B**
- ☒ **C**
- ☒ **D**

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4 The UK pound sterling exchange rate is allowed to float freely. The value of the pound sterling changed from £1 = $1.53 in January 2015 to £1 = $1.26 in January 2019.

This means that the value of pound sterling against the dollar has

- ☒ **A** devalued
- ☒ **B** revalued
- ☒ **C** depreciated
- ☒ **D** appreciated

(Total for Question 4 = 1 mark)

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5 In May 2021 Canada's central bank aimed to reduce the value of the Canadian dollar against the UK pound sterling.

Which **one** of the following combinations of foreign currency transactions would Canada's central bank use to reduce the value of the Canadian dollar against the UK pound sterling?

	Canadian dollar	UK pound sterling
☒ **A**	Buy	Buy
☒ **B**	Buy	Sell
☒ **C**	Sell	Buy
☒ **D**	Sell	Sell

(Total for Question 5 = 1 mark)

10 Between January and August 2018, Turkey's currency, the lira, depreciated by nearly 40% against the US dollar.

Evaluate the economic effects of a depreciation of a country's currency. Refer to a country of your choice in your answer.

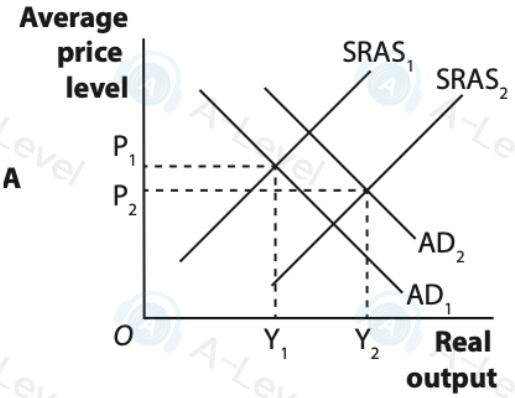
(Total for Question 10 = 20 marks)

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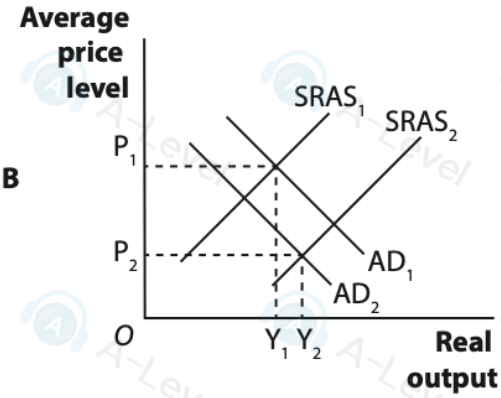
6 Which **one** of the following aggregate demand (AD) and short-run aggregate supply (SRAS) diagrams represents the likely effect of a substantial currency appreciation?

In each diagram the original equilibrium is represented by P_1 and Y_1.

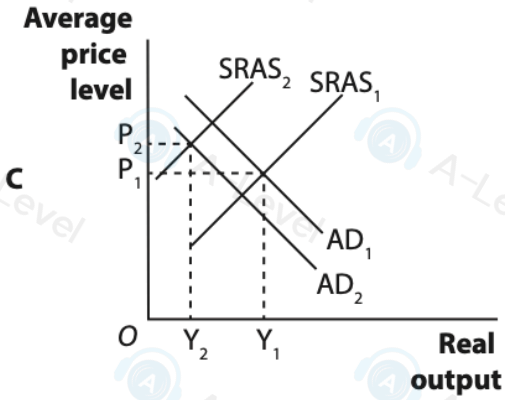
A



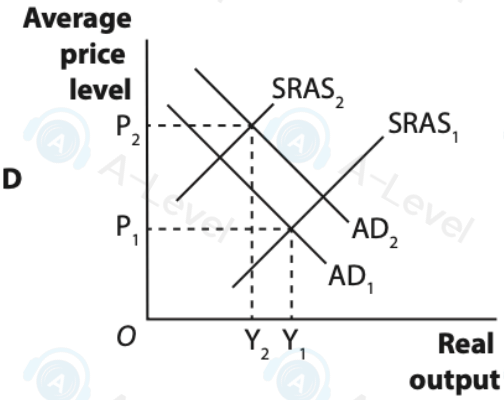
B



C



D



- ☒ **A**
- ☒ **B**
- ☒ **C**
- ☒ **D**

(Total for Question 6 = 1 mark)

3 Between June 2018 and October 2019 the Australian dollar fell by 7.4% against the US dollar.

Ceteris paribus, which **one** of the following is the most likely impact of this depreciation on Australia's economy?

- ☒ **A** A fall in the price of imports and a rise in the price of exports
- ☒ **B** An increase in public sector borrowing and an increase in national debt
- ☒ **C** An improvement in the capital and financial account of the balance of payments
- ☒ **D** A decrease in the cost of borrowing and a decrease in the reward for saving

(Total for Question 3 = 1 mark)

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1 In 2021 the US dollar appreciated by around 10% against the euro.

Which **one** of the following factors is likely to have caused this appreciation of the US dollar?

- ☒ **A** A decrease in confidence in the USA's economy by currency speculators
- ☒ **B** A decrease in the USA's rate of economic growth
- ☒ **C** An increase in capital flight out of the USA into the eurozone
- ☒ **D** An increase in the USA's base interest rate relative to the eurozone

(Total for Question 1 = 1 mark)

2 The exchange rate of the United Arab Emirates (UAE) currency, the dirham, is fixed against the US dollar. Assume that the UAE Government instructed the country's central bank to reduce the exchange rate of the dirham against the dollar.

Which **one** of the following would best describe the impact of this policy?

- ☒ **A** The exchange rate would appreciate
- ☒ **B** The exchange rate would be devalued
- ☒ **C** The exchange rate would depreciate
- ☒ **D** The exchange rate would be revalued

(Total for Question 2 = 1 mark)

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