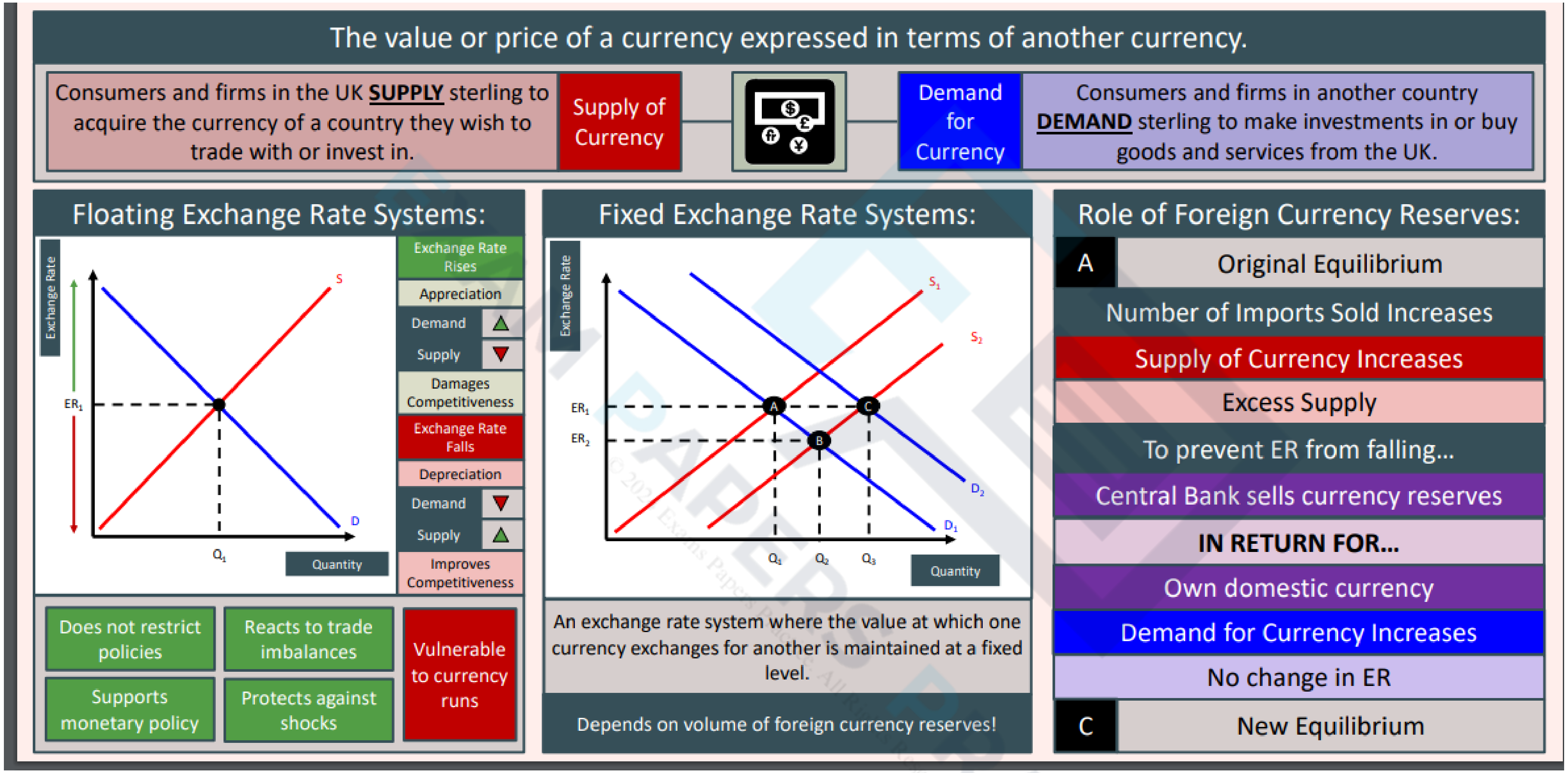
EXAM PAPERS PRACTICE

Exchange Rates



https://www.youtube.com/watch?v=5FaNeRH-GLY

The European Union Context Extract D (lines 13–14) argues that it ‘is not difficult to understand why the pound has fallen against the euro and other currencies’. Explain what is meant by ‘the pound has fallen against the euro and other currencies’ and analyse two determinants of such a fall. [9 marks]

In January 2009, £1 could buy approximately 1.04 euros on the foreign exchange market. By July 2015, £1 could buy approximately 1.44 euros. Explain the factors that may lead to a rise in the exchange rate of a currency. [15 marks]

Explain the phrase ‘devaluation of the exchange rate’ (Extract B, line 12) and, with the help of a diagram, analyse how a devaluation of the Chinese currency (the yuan) may affect economic growth in the UK. [9 marks]

An economy which is enjoying rapid economic growth experiences a significant rise in the external value of its currency within a floating exchange rate system. Evaluate the possible macroeconomic consequences for an economy of a rise in the exchange rate of its currency. [25 marks]