

This review sheet is intended to cover everything that could be on the exam; however, it is possible that I will have accidentally left something off. You are still responsible for everything in the chapters covered except anything that I explicitly say you are not responsible for. Therefore, if I left something off of this sheet, it can still be on the exam. There will be no multiple-choice questions. Most of the questions will be like the ones in the homework assignments, and possibly a few definition questions, but I am more likely to ask questions that make you use the definitions rather than recite them. I will probably ask one of the questions from the book at the end of the chapters.

The review session will be at a time to be determined in class, probably Thursday 4/19.

Chapter 9.6 and on: What do the following mean: **most-favored-nation principle, bilateral trade agreement, GATT, and WTO**? The list of 10 provisions of the **Uruguay Round** on Pages 316 - 317 is important, except for #7 because it failed. However, I will not ask you to list them. I will ask you why some of those provisions are important.

Chapter 10: What are **free trade areas (FTA), customs unions (CU), common markets, and economic unions**? Why are the differences important? Be able to show **trade creation** and **trade diversion** on the supply and demand for an import. Understand why each of the nine items in the list of properties which increase the probability of gains in welfare are likely to increase welfare of the country. Understand the benefits of FTA and/or CU. They include **more bargaining power, less resistance to free trade** (my belief), **more competition, greater economies of scale, and tariff factories**. Know what the following are: **EU, NAFTA, and Mercosur**. Ignore all other FTA, CU, etc.

Chapter 13: *You can find old test questions by looking at Test #1 from ECON 365.* Know what **debits** and **credits** are. Be able to do the **double entry bookkeeping for exports of goods, imports of goods, exports of services, imports of services, sales of assets abroad, purchases of foreign assets, and unilateral transfers**. If I gave you a table like **Table 13.1**, be able to calculate the items in the **memoranda**. Know why the **current and capital accounts** should add to zero. What is the **international investment position**? Why does it matter?

Non-graded Homework Assignment #7A to be reviewed with Assignment #7.

1) (10 points each) For each of the events below, set up the double entry bookkeeping. Briefly explain how you determined the debits and the credits.

- A) I pay for a hotel in London for \$500.
- B) A citizen of the USA sends \$400 to a family member in Mexico.
- C) A Japanese company buys \$600 worth of stock in Ford.
- D) An American buys \$300 worth of computer supplies from South Korea.
- E) I buy \$200 worth of Mitsubishi stock.
- F) An Egyptian bank pays me \$100 worth of interest.

2) (25 points) Use your answers to Question #1 to calculate the balance of goods trade, balance on services, balance on goods and services, balance on goods, services, and income, and current account balance. Show all work and briefly explain how you got each answer.

3) (15 points) On page 451, it says that "Foreign-owned assets in the US, net (increase/financial inflow (+))." What does that mean? Give an example of why it is +.