

The Last One!

Place your name on the back of this sheet of paper and nowhere else. Staple your answers on the front of this sheet of paper. Failure to follow these directions will cost you 1 point. Your assignment will be typed, except graphs can be drawn by hand and mathematical equations can be done by hand. Failure to type it will cost you 10 points. If you use double-sided printing or print on the back of scrap paper, I will give you one additional point.

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) Walmart imports \$200 worth of clothing from China.
- B) A Canadian pays \$50 worth of commissions to Charles Schwab, Inc. (American stock broker.)
- C) You sell \$800 worth of stock in BP.
- D) You send \$340 worth of medicine to earthquake victims in Mexico.
- E) An Italian buys a painting from an American artist for \$900.

2) (20 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; current account balance; short-term financial account balance; the long-term financial account balance, and the capital-financial account balance. **Show all work** and briefly explain how you got each answer.

3) (15 points) Draw the supply and demand for the US\$ with the other currency being the ¥. Illustrate the effects of an increase in interest rates in Japan. Explain why the curve(s) moved as drawn. Which currency appreciated? How can you tell?

4) (15 points) Draw the supply and demand for the US\$ with the other currency being the €. Illustrate the effects of an increase in Europe's GDP. Explain why the curve(s) moved as drawn. Which currency appreciated? How can you tell?