

Do NOT write your name anywhere. (Canvas will tell me who turned in the exam.) Take pictures of your answers and use your own software or <https://pdfcandy.com/> to create a PDF. If necessary, resize it to A4. Upload that to Canvas. Upload each answer as a separate file with that question. Failure to follow directions will cost you one point. The Excel files should be uploaded directly to Canvas.

You are not allowed to use your books, notes, the internet, or other people when taking this test. You can use the internet to access Canvas and to convert your answers to PDF files. Nothing else.

Failure to follow these directions will cost you 1 point. The test has 100 points (to be scaled up to 170 points) and is scheduled to take 50 minutes. Therefore, expect to spend 1 minute for every 2 points. For example, a 12-point question should take 6 minutes. I have it set up to only give you an hour and a half.

If you run out of time or lose your internet connection, you can do a second submission. You do NOT have to redo the questions you already did. I will be able to see every submission. If you have problems, you can always contact me via Zoom or e-mail. If you use Zoom, open it in a new tab or window.

1) (40 points) Use the data in the Excel file [exam4.xlsx](#) to forecast sales through the end of 2020. Also, seasonally adjusted sales for all periods? If their sales for 2021 were \$12,500, then how much would they expect to sell in March of 2021? Do all calculations in the Excel sheet. If you want to explain anything, then do it on the spreadsheet.

2) (6 points each) Answer TWO of the following using the balance sheet to the right. Show all work. Assume the bank decides to loan out all excess reserves and the currency-deposit ratio is 0.

- A) How much excess reserves does this bank have?
- B) What goes in the blank for other under assets?
- C) If the bank had \$20 of excess reserves and the money multiplier process went to its fullest, then how much would the money supply change?

Assets		Liabilities & N. W.	
Cash	80	Checking	1000
Reserves	120	Savings	200
Loans	1300	Loans	10
Other	?	Other	300

3) (12 points) Answer EITHER Part A OR Part B.

- A) Draw the fundamental exchange rate line. Explain why it takes that shape.
- B) What does having an open economy with a flexible exchange rate do to the shape of the IS curve? Explain your logic.

4) (18 points) There are at least three reasons why counter-cyclical monetary policy may not work or could be counterproductive. For ONE of them, explain the reasoning with a graph.

5) (18 points) Answer EITHER Part A OR Part B.

- A) Draw the supply and demand for the \$ on the foreign exchange market with the British pound (£) as the other currency. Illustrate the effects of interest rates decreasing in Britain. Explain why the curve(s) moved as drawn. Did the £ appreciate, depreciate, revalue, or devalue? Explain your logic.
- B) Draw the supply and demand for the \$ on the foreign exchange market with the Chinese yuan (¥) as the other currency. They peg their exchange rate to the \$. Trump has accused them of having the ¥ being undervalued. Draw the peg and explain why it is where you set it. What does that peg force them to do? Explain your logic. Can they do that forever? Explain your logic.