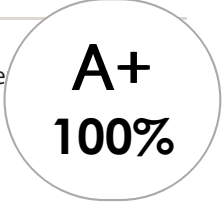


13 Multiple choice questions



A+
100%

1. a macroeconomic policy aimed at influencing the cost and supply of money in the economy to influence such as economic growth and inflation
 - a. valuation effect
 - b. exchange rate
 - c. **CORRECT: monetary policy**
 - d. flexible peg

2. the value of one currency expressed in terms of another currency
 - a. fixed exchange rate
 - b. floating exchange rate
 - c. **CORRECT: exchange rate**
 - d. flexible peg

3. where the Reserve Bank buys and sells Australian dollars in foreign exchange markets to influence the value of the exchange rate
 - a. exchange rate
 - b. **CORRECT: dirtying the float**
 - c. valuation effect
 - d. floating exchange rate

4. the market in which currencies are traded
 - a. fixed exchange rate
 - b. exchange rate
 - c. **CORRECT: foreign exchange market**
 - d. floating exchange rate

5. when the value of a country's currency is determined by the forces of demand and supply in foreign exchange markets
 - a. **CORRECT: floating exchange rate**
 - b. foreign exchange market
 - c. exchange rate
 - d. fixed exchange rate

6. a decrease in the value of an economy's currency in terms of another currency
 - a. currency appreciation
 - b. dirtying the float
 - c. **CORRECT: currency depreciation**
 - d. exchange rate

7. an exchange rate system where the currency's value is fixed at a pre-announced level, but can be changed in response to foreign exchange market forces
 - a. valuation effect
 - b. **CORRECT: flexible peg**
 - c. exchange rate
 - d. monetary policy

8. an increase in the value of an economy's currency in terms of another currency
 - a. exchange rate
 - b. dirtying the float
 - c. **CORRECT: currency appreciation**
 - d. currency depreciation

9. Australia's central bank whose main roles are to conduct monetary policy and oversee the stability of the financial system
 - a. **CORRECT: Reserve Bank of Australia (RBA)**
 - b. currency depreciation
 - c. trade weighted index (WTI)
 - d. currency appreciation

10. where an appreciation (or depreciation) of the currency causes a decrease (or increase) in the Australian dollar value of foreign debt that is borrowed in foreign currency
 - a. exchange rate
 - b. flexible peg
 - c. **CORRECT: valuation effect**
 - d. monetary policy

11. a measure of the ability of Australian producers to compete with foreign producers in both local and world markets
 - a. currency appreciation
 - b. currency depreciation
 - c. valuation effect
 - d. **CORRECT: international competitiveness**

12. when the value of an economy's currency is officially set by the government or the central bank
 - a. **CORRECT: fixed exchange rate**
 - b. floating exchange rate
 - c. foreign exchange market
 - d. exchange rate

13. a measure of the value of the Australian dollar against a basket of foreign currencies of major trading partners
 - a. fixed exchange rate
 - b. exchange rate
 - c. foreign exchange market
 - d. **CORRECT: trade weighted index (WTI)**