**AP Macro Unit 5 Multiple Choice Questions**

**(Please do not post online)**

1. All of the following are counted in a nation's current account except

A. A $50,000 car imported from Italy

B. $500 of cheese exported from France

C. A $50 million Chinese factory purchased by a Canadian

D. $1 million donated in first aid supplies to Indonesia

E. $1,000 sent to Russia from a Russian working in the US

2. Which of the following would decrease the U.S. financial account?

A. A boat purchased by a British investment banker in Florida

B. A ski chateau purchased in Switzerland by an American entrepreneur

C. An American earns $1000 in the Japanese stock market

D. The purchase of $1000 of US Treasury bonds by a Chinese investor

E. The purchase of a foreign car by an American diplomat living in Costa Rica

3. Which of the following are included in a nation's balance of payments accounts?

I. International trading
II. International lending
III. Domestic investment

A. I, II, and III only

B. I and II only

C. I and III only

D. II and III only

E. I only

4. Which of the following is true regarding international trade

A. A country that exports more than it imports has a trade deficit

B. A country that exports more than 30% of their GDP has a trade surplus

C. A deficit in the current account is offset by a surplus in the financial account

D. A country that exports more than it imports will have a financial account surplus

E. A country with a trade deficit will have a current account surplus

5. An increase in Korea’s demand for U.S. goods would cause the US dollar to

A. Depreciate because of inflation

B. Depreciate because the U.S. would be selling more dollars to Korea

C. Depreciate because the U.S. money supply would increase as exports rise

D. Appreciate because Korea would be buying more U.S. dollars

E. Appreciate because Korea would be selling more U.S. dollars

6. If the demand for the British Pound increases relative to the U.S. dollar, then the

A. US dollar would appreciate

B. Supply of US dollars would decrease

C. Quantity supplied of Pounds would decrease

D. British pound would appreciate

E. British pound will depreciate

7. Suppose incomes fall in the United States, but not in Japan. Which of the following will occur?

A. The US dollar will appreciate and the Japanese Yen will depreciate

B. The US dollar will appreciate and the Japanese Yen will appreciate

C. US imports from Japan will increase

D. The US dollar will depreciate and the Japanese Yen will appreciate

E. Japanese exports to the US will increase

8. Suppose price level increases more in the United States than it does in Indonesia. What is the short-run impact on U.S. net exports, the value of the U.S. dollar, and the value of the Indonesian rupee?

**Net Exports / U.S. dollar / Indonesian rupee**

A. Increase / depreciate / depreciate

B. Decrease / depreciate / appreciate

C. Increase / depreciate / appreciate

D. Decrease / appreciate / depreciate

E. Increase / appreciate / depreciate

9. Suppose interest rates fall in the United States, but they don't fall in Mexico. What is the short-run impact on the value of the U.S. dollar (USD) and the value of the Mexican Peso (Peso)?

 **USD / Peso**

A. Appreciate / appreciete

B. Appreciate / depreciate

C. Depreciate / depreciate

D. Depreciate / appreciate

E. Depreciate / no change

10. An increase in a country’s interest rate relative to other country’s interest rate will most likely cause which of the following?

A. An decrease in the demand for the country’s currency

B. An increase in the supply of the country’s currency

C. The depreciation of the country’s currency

D. An increase in the amount of domestic investment

E. Capital inflow into the country to exceed capital outflow

11. Assume that the supply of loanable funds increases in Canada. The international value of Canada’s currency and Canada’s exports will most likely change in which of the following ways

**Value of the Canadian Dollar Exports**

 A. Decrease Decrease

 B. Decrease Increase

 C. Increase Decrease

 D. Increase Increase

 E. Not change Not change

12. Which of the following is an example of direct foreign investment?

A. An increase in the demand for US dollars by foreigners

B. A decrease in the supply of US dollars by Americans

C. The purchase of American planed by a Mexican company

D. The sale of financial service to a foreign investor by a US bank

E. A Chinese company buying a microprocessor factory in Korea

13. An increase in net exports for country X will most likely be caused by which of the following?

A. An increase in consumer spending

B. An increase in direct foreign investment

C. A decrease in the international value of the currency in country X

D. An increase in the international value of the currency in country X

E. An increase in the price level in country X

**Answer Key**

1. C

2. B

3. B

4. C

5. D

6. D

7. A

8. B

9. D

10. E

11. B

12. E

13. C