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| --- |
| Use the information in [Figure 21.1](http://lectures.mhhe.com/connect/0077479475/Figure%2021.1.JPG) to answer the following questions: |

|  |  |
| --- | --- |
| **a.** | £320 is worth $ . **(Round your answer to 2 decimal places. (e.g., 32.16))** |

|  |  |
| --- | --- |
| **b.** | £320 is worth SF . Therefore, you would rather have . **(Round your answer to 4 decimal places. (e.g., 32.1616))** |

|  |  |
| --- | --- |
| **c.** | The cross-rate for Swiss francs in terms of British pounds is SF/£ . The cross-rate for British pounds in terms of Swiss francs is £/SF . **(Round your answers to 4 decimal places. (e.g., 32.1616))** |

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| Use the information in [Figure 21.1](http://lectures.mhhe.com/connect/0077479475/Figure%2021.1.JPG) to answer the following questions: |

|  |  |
| --- | --- |
| **a.** | If you have $265, you can get  euros. **(Round your answer to 2 decimal places. (e.g., 32.16))** |

|  |  |
| --- | --- |
| **b.** | One euro is worth $ . **(Round your answer to 4 decimal places. (e.g., 32.1616))** |

|  |  |
| --- | --- |
| **c.** | If you have 13 million euros, you have $ . **(Enter your answer in dollars, not millions of dollars, i.e. 1,234,567.)** |

|  |  |
| --- | --- |
| **d.** | The Singapore dollar is worth  that the New Zealand dollar. |

|  |  |
| --- | --- |
| **e.** | The Mexican peso is worth  than the Chilean peso. |

|  |  |
| --- | --- |
| **f.** | You can get  Mexico pesos for a Euro. This type of rate is called . **(Round your answer to 4 decimal places. (e.g., 32.1616))** |

|  |  |
| --- | --- |
| **g.** | Which currency per dollar is the most valuable and which is the least valuable? **(Round your most valuable to 4 decimal places and least valuable to 6 decimal places. (e.g., 32.1616))** |
|  |  |
|  | Most valuable:    = $ |
|  | Least valuable:  = $ |

|  |
| --- |
| Suppose the current exchange rate for the Polish zloty is Z 2.77. The expected exchange rate in three years is Z 2.83. What is the difference in the annual inflation rates for the United States and Poland over this period? **(Do not round intermediate calculations and round your final answer to 2 decimal places. (e.g., 32.16))** |

|  |  |
| --- | --- |
| Difference in annual inflation rates | % |

|  |
| --- |
| Suppose the spot and three-month forward rates for the yen are ¥79.20 and ¥78.64, respectively. |

|  |  |
| --- | --- |
| **b.** | What would you estimate is the difference between the annual inflation rates of the United States and Japan? **(Negative amount should be indicated by a minus sign. Round your answer to 1 decimal place. (e.g., 32.16))** |

|  |  |
| --- | --- |
| Annual inflation rates | % |

|  |
| --- |
| Suppose the spot exchange rate for the Canadian dollar is Can$1.07 and the six-month forward rate is Can$1.09. |

|  |  |
| --- | --- |
| **a.** | Which is worth more, a U.S. dollar or a Canadian dollar? |
|  |  |
|  | |  |  | | --- | --- | |  | Canadian dollar | |  | U.S. dollar | |

|  |  |
| --- | --- |
| **b.** | Assuming absolute PPP holds, what is the cost in the United States of an Elkhead beer if the price in Canada is Can$2.60? **(Round your answer to 3 decimal places. (e.g., 32.161))** |

|  |  |
| --- | --- |
| Cost in U.S. dollars | $ |

|  |  |
| --- | --- |
| **c.** | Is the U.S. dollar selling at a premium or a discount relative to the Canadian dollar? |
|  |  |
|  | |  |  | | --- | --- | |  | Premium | |  | Discount | |

|  |  |
| --- | --- |
| **d.** | Which currency is expected to appreciate in value? |
|  |  |
|  | |  |  | | --- | --- | |  | Canandian dollar | |  | U.S. dollar | |

|  |  |
| --- | --- |
| **e.** | Which country do you think has higher interest rates - the United States or Canada? |
|  |  |
|  | |  |  | | --- | --- | |  | Canada | |  | United States | |