



ELIZADE UNIVERSITY
Ilara-Mokin, Ondo State
Department of Economics and Development Studies
Faculty of Social and Management Sciences
Second (2nd) Semester Examination
2016/2017 Academic Session

Course Code: ECO 308 Course Title: International Economics II
Instructions: Please answer any four questions. Each question carries equal marks
Time Allowed: 2 HOURS 3 AUGUST 2017

LECTURER'S SIGNATURE:

HOD'S SIGNATURE

1.
 - a. What is the interest rate parity condition?
 - b. Use the interest rate parity condition to discuss equilibrium using the Nigerian Naira and another currency of your choice.
 - c. How have changes in Nigeria's current exchange rate **today** affected deposits in US dollars when interest rates and the expectations about future exchange rates do not change?
2.
 - a. Examine why exchange rate is considered an asset price.
 - b. Explain how the appreciation of a country's currency affects its trade.
 - c. Discuss any two types of foreign exchange transactions.
3.
 - a. Explain how changes in money supply affect the exchange rate.
 - b. How is a change in the expected future price of Naira against the dollar related to the depreciation rate of the Naira?
 - c. Using asset demand theory discuss two reasons why people hold money.
4.
 - a. Discuss any two of the components of the balance of payment accounts.
 - b. What is balance of trade and explain its relationship with the balance of payments.
 - c. Explain the effects of weakened oil prices on Nigeria's balance of trade.
5. Discuss the major participants on the foreign exchange market.
6.
 - a. What is purchasing power parity?
 - b. Distinguish between absolute and relative purchasing power parity.
 - c. Explain the relationship between the law of one price and purchasing power parity.

Best of Luck