Examples of examination questions

To help you with your preparation for the examination we have decided to provide you with 10 possible examination questions, at least two of which will appear in the examination. In other words: The examination consists of six questions (of which you must do four) and at least two of the questions will be two of the following:

1. (a) Explain, with the aid of a diagram, the Swan analysis of the economy (fig 18.1) (15)
   (b) Briefly explain the proposals for the reforming of the present exchange rate arrangements. (10)

2. (a) Explain, with the aid of a diagram (using the IS/LM/BP analyses), the effectiveness of expansionary monetary policies in an open economy with flexible exchange rates and perfect capital mobility (fig 18.9) (16)
   (b) Name the items of the current account of the South African balance of payments. (9)

3. Explain, with the aid of a diagram (using the IS/LM/BP analyses), the effectiveness of expansionary fiscal and monetary policies in an open economy with fixed exchange rates and perfect capital mobility (fig 18.7) (25)

4. (a) Explain currency pass-through. (10)
    (b) Explain how the Gold Standard operated. (15)

5. (a) Suppose a nation is in equilibrium (long-run and short-run) at its natural level of output. Explain with the aid of a diagram (use aggregate demand and supply curves) the effect of an expansionary fiscal policy in an open economy under fixed exchange rates (fig 19.9 left panel) (20)
    (b) Briefly explain foreign exchange speculation (5)

6. Discuss the South African Balance of payments (25)

7. Explain, with the aid of a diagram (using the IS/LM/BP analyses), the effectiveness of expansionary fiscal and monetary policies in an open economy with flexible exchange rates and perfect capital mobility (fig 18.9)
8. Explain the simple version of the portfolio balance approach to the balance of payments. (Your own decent summary of section 15.4A in the textbook is required within the time limit).

9. (a) Explain, with the aid of a diagram (using aggregate demand and supply curves), how a government can use fiscal and monetary policies to stimulate long-run growth in an open economy (fig19.11) (18)
(b) Explain transaction risk that may arise in international transactions. (7)

10. (a) Explain, with the aid of a diagram, the concepts of “appreciation” and “depreciation”(fig 14.1) (10)
(b) Evaluate the significance of imbalances that may occur within the balance of payments. (15)

NB! The above 10 questions are obviously not the only possible exam questions. You must therefore still know the remainder of the prescribed material to earn a good mark.

Material not prescribed for the exam:

In addition to that already mentioned in the study guide you can also omit the following sections from the textbook as far as the examination goes:

Chapter 13 (only the information in study unit 1 of the Study Guide is applicable for the exam).
Section 14.6C
Section 16.2B
Section 16.2C
Sections 18.3 up to and including 18.4C (pp631-638)
Section 18.5A
Section 19.2A up to and including 19.4B (pp670-681)