

# Exercise Handbook

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# Table of Contents

International  
Financial and  
Foreign Exchange  
Markets

Balance of  
Payments

Futures and MtM

Balance of Payments

Futures and MtM

## Exercise IX

The BOP of Country A showed the following entries for 2013: a capital account surplus of 50, a deficit in the services account of 15, and a trade deficit of 45. The change in the official reserves was zero. Assuming  $SD = 0$ , what was the balance of unilateral transfers for A?

Balance of  
Payments

Futures and MtM



# Exercise X

Multiple choice. **Justify your claims.**

When the U.S. ships food aid to a developing nation, the U.S. debits:

1. unilateral transfers
2. services
3. capital
4. official reserves



# Exercise XI

The payment of a dividend by an American company to a foreign stockholder represents:

1. a debit in the U.S. capital account
2. a credit in the U.S. capital account
3. a credit in the U.S. official reserve account
4. a debit in the U.S. current account



## Exercise XII

When a U.S. firm imports a good from England and pays for it by drawing on its pound sterling account in a London Bank, the U.S. debits its current account and credits its:

1. official reserve account
2. unilateral transfers account
3. services in its current account
4. capital account





## Exercise XIV

The following data are taken from the balance of payments of country A (currency AA):

<b>bn USD</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>
<b>Port. Investment</b>	2.9	-6.9	-5.4	-8.7

Is the following statement consistent with the data shown above?

*After 1995, foreigners have issued AA-denominated bonds in A's capital market in order to take advantage of the favourable interest rate differential with respect to the US capital market.*



## Exercise XV

On 15<sup>th</sup> June 201X, you bought 5 futures contracts for 50,000 EUR each at  $\frac{USD}{EUR}$  1.29. Assume that the daily settlement prices are shown in the table below:

Day	16	17	18	19	22	23	24	25
Price	1.28	1.3	1.29	1.31	1.26	1.25	1.26	1.27

- ▶ What are the daily cash flows from marking to market?
- ▶ If you deposit USD 60,000 into your margin account, and your broker requires USD 55,000 as maintenance margin, when will you receive a margin call and how much will you have to deposit?

## Exercise XVI

On 15th September 201X, you sold 7 futures contracts for 62,500 GBP each at  $\frac{USD}{GBP}$  1.51. Assume that the daily settlement prices are shown in the table below:

Balance of  
Payments

Futures and MtM

Day	16	17	18	19	22	23	24	25
Price	1.53	1.55	1.56	1.54	1.57	1.53	1.51	1.49

- ▶ What are the daily cash flows from marking to market?
- ▶ If you deposit USD 70,000 into your margin account, and your broker requires USD 65,000 as maintenance margin, when will you receive a margin call and how much will you have to deposit?