

# 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 VII

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?



# Exercise VIII

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 IX

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 X

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 XI

The capital account of the U.S. includes:

1. the change in U.S. assets abroad and foreign assets in the U.S.
2. the change in U.S. assets abroad and foreign assets in the U.S., other than official reserve assets
3. all financial assets
4. all but current account transactions

Balance of  
Payments

Futures and MtM



## Exercise XII

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 XIII

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:

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?