

Bus418 International Financial Management
Homework 1

Due: 1 hours before class on Monday January 18, 2010.

For a number of reasons the assignment is being set late, so it will be graded very easily—please just do your best effort.

Q1 Outline the costs and benefits of Australia and New Zealand adopting a common currency? Australia is a net exporter of energy and mineral products and has important wheat, beef and cattle exports, and New Zealand's economy is primarily agricultural. You may want to look at the CIA factbook <http://www.cia.gov/cia/publications/factbook/index.html> or the Economists country briefings <http://www.economist.com/countries/> for more details about Australia and New Zealand. See also the US state department information <http://www.state.gov/r/pa/ei/bgn/2698.htm> (Australia) <http://www.state.gov/r/pa/ei/bgn/35852.htm> (New Zealand) These sources will also come in handy for your term paper.

Q2

- a) ER-Q2.5
- b) ER-Q2.12 (Looking for a very straightforward answer.)
- c) ER-Q3.12 (Have a try—we will expand further in class.)

Q3. **[Past exam question]**

- a) What are the three requirements for an international gold standard to exist?
- b) Explain the mechanism which restores BOP equilibrium after it is disturbed under the gold standard?

Discussion Question: (i.e. you don't need to submit and answer)

Will the UK join the EU?

Suggestions: What are the five conditions that must be met before the UK will join?
Which (if any) of these have been met?