

Economics 345
Assignment 1

This assignment is due in the first week of tutorial: that is, the *second* week of classes. The assignment is to be turned in at your tutorial. You should read at least the first few pages of Chapter 14 in your textbook before you answer the questions.

Find a table of foreign exchange rates *for two different days during this week*. The tables must come from a newspaper or from an online source. (Footnote the source with the URL and provide a printout of the table. If you use a paper source like the *National Post*, the *Globe and Mail*, the *Wall Street Journal* or *New York Times*, attach a copy of the tables you use.)

1. Answer the following questions with respect to your two tables:

- What is the Canada-US exchange rate?
- Did the Canadian dollar appreciate or depreciate with respect to the US dollar during the past week?
- What is the exchange rate of the Canadian dollar with the Euro?
- Did the Canadian dollar appreciate or depreciate with respect to the Euro?

2. Find the forward exchange rate of the US dollar with the Canadian dollar. Is the Canadian dollar at a premium or discount?

3. Suppose you are the Vancouver Canucks chief financial officer. (Assume) salaries for the Canucks total \$US 60 million. Assume that the Canucks' revenue in Canadian dollars has been the same each year at \$C 70 million.

If the table below gives the appropriate exchange rate measured in \$C per \$US, use the exchange rate from question 1 as the exchange rate for 2011 and explain what has happened to the Canucks ability to cover their payroll in 2002, 2006 and 2011? How much is left after the payroll is paid?

Canada-US Exchange Rates	
Year	\$C/\$US
2002	1.60
2006	1.13
2011	???