Universität ⬆ Siegen

Fachbereich 5 – Wirtschaftswissenschaften
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Klausur „International Financial Markets"
Sommersemester 2011
(1. Prüfungstermin)

Bearbeitungszeit: 60 Minuten

Zur Beachtung:

1.   Die Klausur umfasst 10 Seiten (einschl. dieses Deckblatts). Bitte prüfen Sie die **Vollständigkeit** der Klausur.

2.   Benutzen Sie für Ihre Ausführungen die vorgesehenen Lösungsfelder. Reichen diese nicht aus, benutzen Sie die Rückseiten der Blätter. Mit **Bleistift** angefertigte Lösungen werden **nicht** bewertet.

3.   Hilfsmittel: nichtprogrammierbarer Taschenrechner

4.   ACHTUNG: Die Variablen-Namen haben die gleiche Bedeutung wie in der Vorlesung. Sofern Sie ebenfalls für die Variablen die Symbole aus der Vorlesung verwenden, brauchen Sie sie nicht zu definieren.

Question	1	2	3	4	5	Sum	Mark
Points achievable	8	13	13	14	12	60	
Points achieved							

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Problem 1: Finance

a) What are the distinctive features of financial decisions?   [3 points]

b) Why do households hold a special position in finance?   [3 points]

c) Please name two types of financial decisions of households.   [2 points]

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Problem 2: Financial Accounts

The following table shows the financial flows for Germany in 2007.

a) There are two positions ("items") in the table which identically show whether a sector was a surplus unit or a deficit unit. Please give the names of both of these items.   [4 points]

b) For the following three questions, observe the sector "social security funds".

b_1 Was the sector a deficit unit or a surplus unit in 2007? By which amount?
                                                                            [2 points]

b_2 The position "currency and transferable deposits" is negative. What does this mean?   [2,5 points]

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XII Capital and financial accounts of the sectors in 2007

€ billion

Item	Households and non-profit institutions serving households	Non-financial corporations	General government Total	Central, state and local government	Social security funds	Total
Acquisition of non-financial assets and saving						
Net capital formation	42.25	45.44	− 2.52	− 2.17	− 0.35	85.17
Gross capital formation	150.29	250.37	35.61	35.09	0.52	436.27
Consumption of fixed capital	108.04	204.93	38.13	37.26	0.87	351.10
Acquisitions less disposals of non-financial non-produced assets	0.96	0.47	− 1.43	− 1.43	–	0.00
Saving and capital transfers	178.81	54.92	− 8.11	− 18.16	10.05	225.62
Saving	167.14	41.69	19.53	9.43	10.10	228.36
Capital transfers (net)	11.67	13.23	− 27.64	− 27.59	− 0.05	− 2.74
Net lending / net borrowing 3	135.60	9.01	− 4.16	− 14.56	10.40	140.45
Statistical discrepancy 4	.	50.38	.	.	.	50.38
Acquisition of financial assets						
Monetary gold and special drawing rights	.	.	.	.	.	.
Currency and deposits	85.90	72.03	10.66	0.58	10.09	168.59
Currency and transferable deposits	38.17	10.08	1.16	1.26	− 0.09	49.42
Time deposits 5	57.07	62.61	10.21	− 0.22	10.42	129.88
Savings deposits	− 29.91	− 0.42	− 0.62	− 0.53	− 0.08	− 30.94
Savings certificates	20.56	− 0.24	− 0.09	0.07	− 0.16	20.23
Money market paper	− 0.28	− 20.27	− 0.21	− 0.21	.	− 20.77
Bonds	− 50.16	− 109.65	1.82	1.30	0.51	− 157.99
Financial derivatives	.	45.24	− 0.21	− 0.21	.	45.03
Shares	− 16.50	56.86	− 5.69	− 5.75	0.06	34.67
Other equity	2.94	24.13	0.20	0.20	.	27.27
Mutual funds shares	24.81	− 3.21	0.37	− 2.31	2.68	21.97
Loans	.	− 1.30	o − 0.53	− 0.64	0.11	− 1.82
Short-term loans	.	− 5.63	− 0.31	− 0.31	.	5.94
Longer-term loans	.	4.34	o − 0.22	− 0.33	0.11	4.12
Claims on insurance corporations 2	69.40	1.01	0.02	0.02	.	70.44
Short-term claims	1.10	1.01	0.02	0.02	.	2.13
Longer-term claims	68.31	.	.	.	.	68.31
Claims from company pension commitments	4.34	.	.	.	.	4.34
Other claims	− 4.12	96.50	0.30	3.54	− 3.23	92.68
Total	116.33	161.35	o 6.74	− 3.48	10.21	284.42
External financing						
Currency and deposits	.	.	0.51	0.51	.	0.51
Currency and transferable deposits	.	.	0.51	0.51	.	0.51
Time deposits 5	.	.	.	.	.	.
Savings deposits	.	.	.	.	.	.
Savings certificates	.	.	.	.	.	.
Money market paper	.	18.60	1.38	1.38	.	19.98
Bonds	.	− 11.36	29.13	29.13	.	17.77
Financial derivatives	.	.	.	.	.	.
Shares	.	6.77	.	.	.	6.77
Other equity	.	26.70	.	.	.	26.70
Mutual funds shares	.	.	.	.	.	.
Loans	− 18.89	46.38	o − 23.12	− 22.94	− 0.19	4.37
Short-term loans	− 1.21	16.82	2.49	2.76	− 0.28	18.10
Longer-term loans	− 17.67	29.56	o − 25.61	− 25.70	0.09	− 13.73
Claims on insurance corporations 2	.	.	.	.	.	.
Short-term claims	.	.	.	.	.	.
Longer-term claims	.	.	.	.	.	.
Claims from company pension commitments	.	1.26	.	.	.	1.26
Other liabilities	0.38	13.62	3.00	3.00	.	16.23
Total	− 19.27	101.96	o 10.90	11.08	− 0.19	93.59
Net acquisition of financial assets 6	135.60	59.38	− 4.16	− 14.56	10.40	190.82

1 Credit institutions including the Deutsche Bundesbank, building and loan associations and money market funds. — 2 Including private pension funds as well as occupational pension schemes and supplementary pension funds. — 3 Saving and capital transfers (net) less net capital formation and

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b$_3$ In contrast to the other sectors, the "net acquisition of financial assets" is higher (10.40) than the position "acquisition of financial assets" (10.21). Why?   [4,5 points]

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**Problem 3: Regulation and Supervision**

    a) Which kinds of institutions, in general, can execute the regulatory functions regarding the financial system? [4 points]

    b) Which three major international financial institutions at the center of the current global financial and monetary system can you name? (Please do not use acronyms and spell out the names.) [3 points]

    c) What would you describe the IMF's central mandate to be? [6 points]

Problem 4: Forex market

The following diagram depicts the market for foreign exchange. The foreign currency that is traded on the market is the United States dollar.

$e\left[\dfrac{€}{\$}\right]$

D [$]

(1 Punkt)   (1 Punkt)
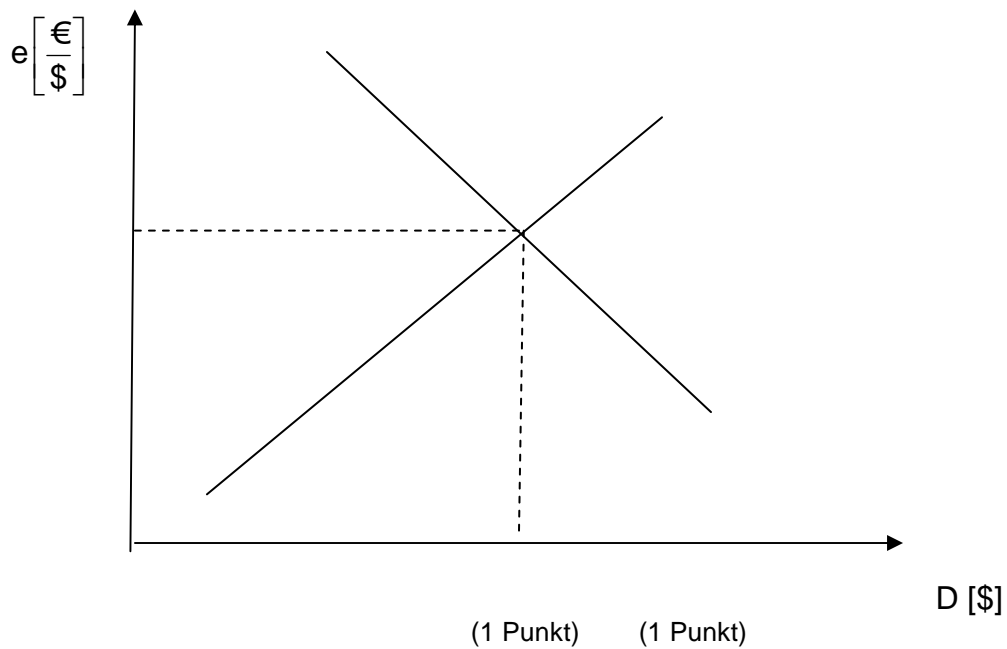
a) Mark the foreign currency demand schedule in the diagram with D^d and designate the foreign currency supply curve with D^s.   [2 point]

b) Assume we have a system of flexible exchange rates.

   b_1 Designate the point of equilibrium in the two-dimensional space as point A.
                                                                        [1 point]

   b_2 On the axes of the diagram, depict the equilibrating exchange rate as e^* and the traded amount of foreign currency as D^*.   [2 points]

c) Let us now assume a system with a fixed exchange rate.

   c_1 Please name the two constituting elements of this sort of system very briefly.
                                                                     [2 points]

   c_2 Suppose that at the given fixed exchange rate a surplus demand for foreign
        currency exists. Depict this situation in the diagram above by drawing in a
        corresponding exchange rate e_1. Mark the point in the two-dimensional space
        that represents the amount of traded foreign currency at the given exchange
        rate. Also mark the amount of traded foreign currency on the horizontal axis as
        D_1.   [4 points]

d) Name the two sources of demand for foreign exchange.   [2 points]

e) Name one of the functions of the foreign exchange market.   [1 point]

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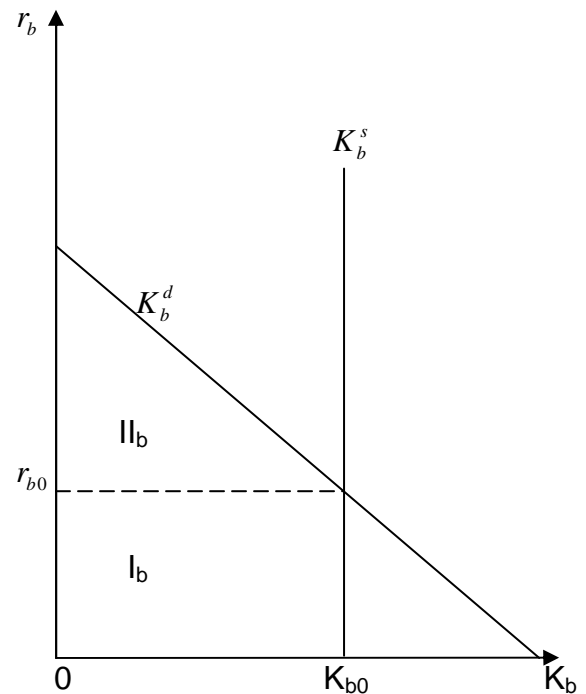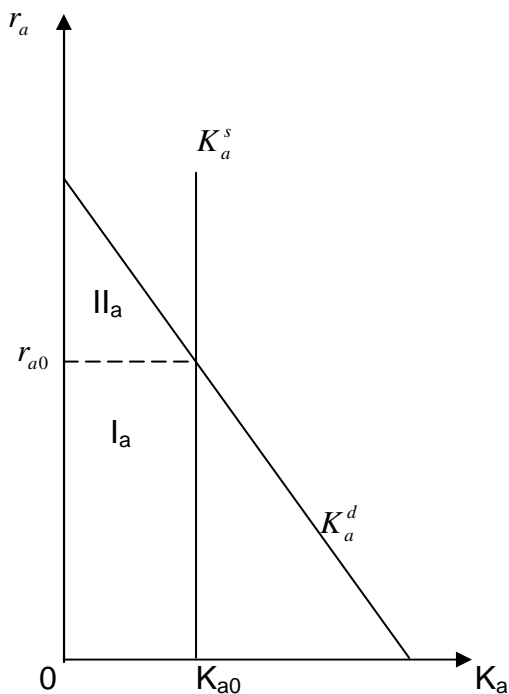

Problem 5: Integration of financial markets

The following graph shows the capital markets of the countries A and B with perfect competition. The two markets are completely separated, i. e. there are no capital movements between the two countries.

r_a, r_b: real rates of interest,

K_a^s, K_b^s: supplies of capital,

K_a^d, K_b^d: demand for capital

a) Please interpret the following areas of country B:

a₁ II_b   [2 points]

a₂ I_b + II_b   [2 points]

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b) Now, suppose that capital movements between the two countries are completely liberalized. We neglect transaction costs.

b$_1$ Which country imports capital? Why?   [3 points]

b$_2$ What will happen to the level of real labour income in country A? Explain!

[5 points]