UNIVERSITÄT OSNABRÜCK
FACHBEREICH WIRTSCHAFTSWISSENSCHAFTEN

Cover page
(Klausurdeckblatt)

Exam in subject (Prüfung im Fach)	International Finance
Examiner (Prüfer)	Prof. Frank Westermann, Ph.D.
Date (Datum)	30.07.25, 11:00 - 12:00

Participant
(Klausurteilnehmer/in)

Course of studies (Studiengang)	
Last name, first name (Name, Vorname)	
Matriculation number (Matrikel-Nr.)	

Points obtained
Erreichte Punkte

* Please answer all questions *
(Es sind alle Aufgaben zu bearbeiten)

Points (Punkte)			
A1	**A2**	**A3**	**A4**

Grading
(Benotung)

Total score (Gesamtpunktzahl)	
Grade (Modulnote)	
Examiner signature (Prüferunterschrift)	

Chair of International Economic Policy
Prof. Frank Westermann, Ph.D.

Exam in “International Finance“

Summer semester 2025/1

Total points: 60 points

For all questions: Please label all graphics thoroughly and completely describe the notation of all formulas and variables!

Question 1: Mundell-Fleming model (15 points)

a) Illustrate a capital market equilibrium (LM curve) in the closed economy, using an approriate graph. (5 points)

b) Illustrate the balance sheet of a central bank in an open economy and discuss how a change in reserves affects the LM curve and how it changes the capital market equilibrium in question (a). (5 points)

c) Under the assumption of perfect capital markets, illustrate the effects of monetary policy in the open economy under flexible exchange rates. (5 points)

Question 2: Speculative attacks on fixed exchange rate regimes (15 points)

a) Name two key assumptions of the Krugman-Model. (2 points)

b) Explain (verbally) why a fixed exchange rate regime is unsustainable in this model. (3 points)

c) Using an appropriate graph, explain the timing of an attack in the Krugman-Model. Label and explain all variables included. (8 points)

d) At the time of the attack, what happens to international reserves and the domestic money stock? (2 points)

Question 3: Portfolio-balance model (17 points)

a) Discuss the basic setup of the portfolio-balance model and name the budget constraint of the investor. (6 points)

b) Discuss one of the central underlying assumptions. (3 points)

c) Assume an active central bank. Explain the effect of a decreasing preference for domestic money on the exchange rate and the interest rate. What is the net effect? (8 points)

Question 4: Interest rate parity condition (13 points)

a) Write down the equation that can be used to test the interest rate parity condition. Also, name the null hypotheses, and how they can possibly be rejected. (8 points)

b) Empirically, what does the literature typically find at different horizons? (2 points)

c) Discuss why it is important to know whether interest rate parity holds in the Mundell Flemming model. (3 points)

The Chair of International Economic Policy wishes you good luck!

Please sign the exam on the last page before handing it in.