

Financial management 8-11 problems



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PROBLEMS 8 – 11

8. For your country indicate the inflation rate, the unemployment rate and the population growth rate. How do these metrics impact economic activity? The United States of America has an inflation rate of 1.63%. The unemployment rate is at 9% (Bureau of Labor Statistics 2011). The population growth rate is 3%. The metrics for inflation, unemployment and the growth rate have a huge impact on economic activity. As the population increases, so will the need for jobs. If inflation and other factors are affecting unemployment and increasing unemployment, a growth in population will only make the situation worst. High inflation is usually because there is too much money floating around in the economy. If the inflation gets out of hand, the FED will need to enforce a monetary policy that will slow down money being spent in the economy. The slowing of the economy will increase unemployment.

9. What is the exchange rate between the Euro and the US Dollar? What is the exchange rate between the US Dollar and the currency of your country? (If there is an overlap in the currencies, choose any two of interest.) Discuss the trends in these exchange rates. The exchange rate between the U. S. Dollar and the Euro is .72 for each U. S. Dollar. This means that the U. S. Dollar is worth more than the Euro. The exchange rate between the U. S. Dollar and Canada is 1.022. This means that the U. S. Dollar is worth .022 more than the Canadian Dollar. The exchange rate for the U. S. Dollar and the Polish Zloty is 2.957. This means that it requires 2.957 Zloty to equal one U. S. Dollar (Exchange-Rates 2011). The trends for these exchange rates are steady for the U. S. Dollar and the three given countries. Over the past year, the rates compared to the U. S. Dollar have slowly risen. The U. S. Dollar has obtained more value in recent years compared to other money. The U. S. Dollar is most

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equal with the Canadian Loony. 10. Forecast the price of a barrel of oil at June 30, 2010. What is the basis of your projection? What is the importance of the price of a barrel of oil? Based on research it is projected that oil will reach \$103.00 per barrel of oil by the end of June 2011 (Financial Forecast 2011). This means that the price will rise over \$10.00 within the next few months. The basis for this forecast is based from a projection that a barrel of oil will steadily increase over the next few months at a predictable rate. The importance of the price of oil is huge. Oil contributes too many other prices in America and throughout the world. As the price of oil goes up, so does the price of other necessities. An increase in oil results in more expensive transportation. If oil goes down in price, so will the costs of transportation and other necessities. It is certain that many everyday essentials are affected by the price of oil. 11. Discuss credit scores for individuals and provide websites for individuals to find out what their credit score is. Credit scores are important for many individuals. One's credit score determines one's ability to obtain a loan, get a job and a low insurance quote. In order to have a sound financial background, this will require a good credit score. An ideal score would need to be above about 660. One can obtain a free credit score each year. The credit report contains past accounts as well as a combined score. Annualcreditreport.com allows for a free credit report each year. If the individual would like more than one report and score each year it can be paid for by companies such as Experian, Trans-Union and Equifax.

References Bureau of Labor Statistics. "Local Area Unemployment Statistics Home Page." U. S. Bureau of Labor Statistics. Web. 27 Feb. 2011. .

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