

# Current account of balance of payments

- What is the name of the record of a country's exports and imports of physical goods?
  - the balance of payments
  - the current account
  - the invisible trade balance
  - the visible trade balance
- What is **not** part of a country's net income flows and transfers?
  - bank deposits held in overseas banks
  - interest, profits and dividends
  - money sent home from people working abroad
  - money spent on intangible products
- What is the correct formula for calculating a country's current account on the balance of payments?
  - trade balance + net exports
  - visible balance + invisible balance
  - visible trade balance + invisible trade balance + net income flows and transfers
  - visible trade balance + invisible trade balance – net income flows and transfers
- What is a result of a sustained current account deficit for the domestic economy?
  - higher aggregate demand
  - higher exchange rate
  - higher standards of living
  - higher unemployment
- Which policy is **least** likely to result in an improvement in the current account of the country?
  - lower exchange rate
  - lower income taxes
  - subsidies for export-driven firms
  - trade protection policies
- Using the data below, describe what has happened to the country's balance of trade. [2 marks]

Year	Invisible balance (\$bn)	Visible balance (\$bn)
1	15.2	12.3
2	16.7	13.4

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- State any **two** components included in the current account of the balance of payments. [2 marks]

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8 Explain how it is possible for a country to have a deficit on its visible trade balance (trade in goods) but still have a current account surplus on its balance of payments. [4 marks]

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9 Study the data below and answer the questions that follow.

Trade balance for Country D (\$billion)	
<b>Exports</b>	103
Goods	87
Services	.....
<b>Imports</b>	113
Goods	87
Services	.....
Visible balance	.....
Invisible balance	10
<b>Trade balance</b>	.....

a Define the term *visible balance*. [2 marks]

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b Calculate the missing figures in the data above for Country D. [2 marks]

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10 Analyse how a fall in the exchange rate can reduce a country's current account deficit on its balance of payments. [6 marks]

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