



3055 BA SANGAM COLLEGE

PH: 6674003/9264117 E-mail: basangam@connect.com.fj



WORKSHEET 10

SCHOOL: BA SANGAM COLLEGE

YEAR: 12

Name: _____

SUBJECT: ECONOMICS

Strand	4: International Economics
Sub Strand	4.1: Balance of Payment
Content Learning Outcome	4.1.1: Analyse Fiji's Balance of Payment.

LESSON NOTES - BALANCE OF PAYMENT

The Balancing Item- In theory a surplus on capital account is always = to the deficit on current account. The required equality between the sum of the credit and debits entries in the Balance of Payment is brought about by the inclusion of a balancing item. It ensures that the Balance of Payment always balances.

Preparation of BOP Account

Example:

BALANCE OF PAYMENT ACCOUNT			
	\$m	\$m	
Current Account			
Merchandise (visible trade)			
Exports	51.8		
Less Imports	-49.2		
BOT			2.6
Services (Invisible Trade)			
Services Credit	13.2		
Less Services Debit.	-16.5		
NET SERVICES			-3.3
BALANCE ON GOODS AND SERVICES			+ -0.7
Income:			
Income Credit	5.0		
Less Income Debit	-22.3		
NET INCOME			+ -17.3
Unrequited Transfers			
Unrequited Transfers Credits	4.7		
Unrequited Transfers Less Debits	-2.2		
NET UNREQUITED TRANSFERS			+ -2.5
Balance of Current Account (Deficit)			- 15.5
Capital Account			
Official capital transactions			
General government	-1.8		
Plus Reserve Bank	+(1.5)		
TOTAL OFFICIALS			(3.3)
Non official capital transactions			+18.8
Balance on capital account (surplus)			\$15.5m

ACTIVITY

Use the following hypothetical balance of payment data and answer the question that follows:

	\$m
Capital inflow	65
Imports of services	50
Capital outflow	35
Exports of goods	200
Exports of services	105
Import of goods	350

1. **Calculate the following:**

a. Balance of Trade

_____ (1 mark)

b. Balance on invisibles

_____ (2 marks)

c. Balance on Current Account

_____ (2 marks)

d. Balance on Capital Account

_____ (1 mark)

e. Balance of Payment Account

_____ (2 marks)

2. Discuss the purpose of balancing item.

_____ (2 marks)

THE END