



3055 BA SANGAM COLLEGE

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



WORKSHEET 8

SCHOOL: BA SANGAM COLLEGE

YEAR: 12

Name: _____

SUBJECT: ECONOMICS

Strand	International Economics
Sub Strand	Balance of Payment
Content Learning Outcome	Analyse Fiji's Balance of Payment.

LESSON NOTES - BALANCE OF PAYMENT (BOP)

Components of BOP: Current Account and Capital Account

Current Account- records the value of exports and imports of goods and services (visible and invisible items).

Balance of Trade (BOT)

Visible Trade – it represents the export and import of goods only, which can be seen and touched (physical items e.g. cars, furniture etc).

Balance of Trade /Balance of Visible /Balance of Merchandise: is the difference between value of visible exports and values of visible imports.

Invisible Trade/Services

Invisible Exports (Service Credits) - Are those invisible items that earn foreign exchange such as tourists in Fiji, factor income earned from abroad (profits or interest earned abroad, interest earned from abroad and dividend earned from abroad.)

Invisible Imports (Service Debits)- Invisible imports are those that use foreign exchange to purchase invisible items such as purchase of insurance policy from a foreign company, dividend paid abroad, overseas trips etc.

Income \Rightarrow covers earnings on investment made by domestic residents in other countries and investment made by foreigners in domestic country. It also includes dividends received by domestic citizens from overseas sources as well as payments to foreign residents by domestic country.

- **BOT = VISIBLE EXPORT – VISIBLE IMPORT**
- **NET SERVICES = SERVICE CREDITS -- SERVICE DEBITS.**
- **NET INCOME = INCOME CREDITS – INCOME DEBITS**
- **BALANCE OF INVISIBLES= NET SERVICES + NET INCOME + NET TRANSFERS**
- **BALANCE ON CURRENT ACCOUNT= BOT + BALANCE OF INVISIBLES**

ACTIVITY

Use the following hypothetical balance of payment data to answer the question that follow.

	\$m
Merchandise exports	20 000
Merchandise imports	19 000
Services debits	3 000
Services credit	1 000
Income and transfers debit	6 000
Income and transfers credit	2 000

1. Calculate the Balance of Trade.

_____ (1 mark)

2. Calculate the Balance of Invisibles.

_____ (2 marks)

3. Calculate the Balance of Goods and Services.

_____ (2 marks)

4. Calculate the Net income and transfers.

_____ (1 mark)

5. Calculate the Balance on Current Account.

_____ (2 marks)

6. State two possible suggestions that the government could undertake to improve the balance of trade.

_____ (2 marks)

THE END