

**PENANG SANGAM HIGH SCHOOL  
P.O.BOX 44, RAKIRAKI**

**LESSON NOTES**

**Subject:** Economics

**Year/Level:** 12

**Week 21**

<b>Strand</b>	4	International Economics
<b>Sub Strand</b>	4.1	Balance of Payment
<b>Content Learning Outcome</b>	Evaluate the Balance of Payment and describe its impact in the economy.	

Greetings to all...

In Macroeconomics we looked at National Income calculations, Money supply and Quantity theory of money.

Now we will move with Strand 4 with calculations on Balance of Payments, Comparative and Absolute advantage.

**Lesson Notes** (Copy achievement indicators and notes in your note book)

**Achievement Indicators:**

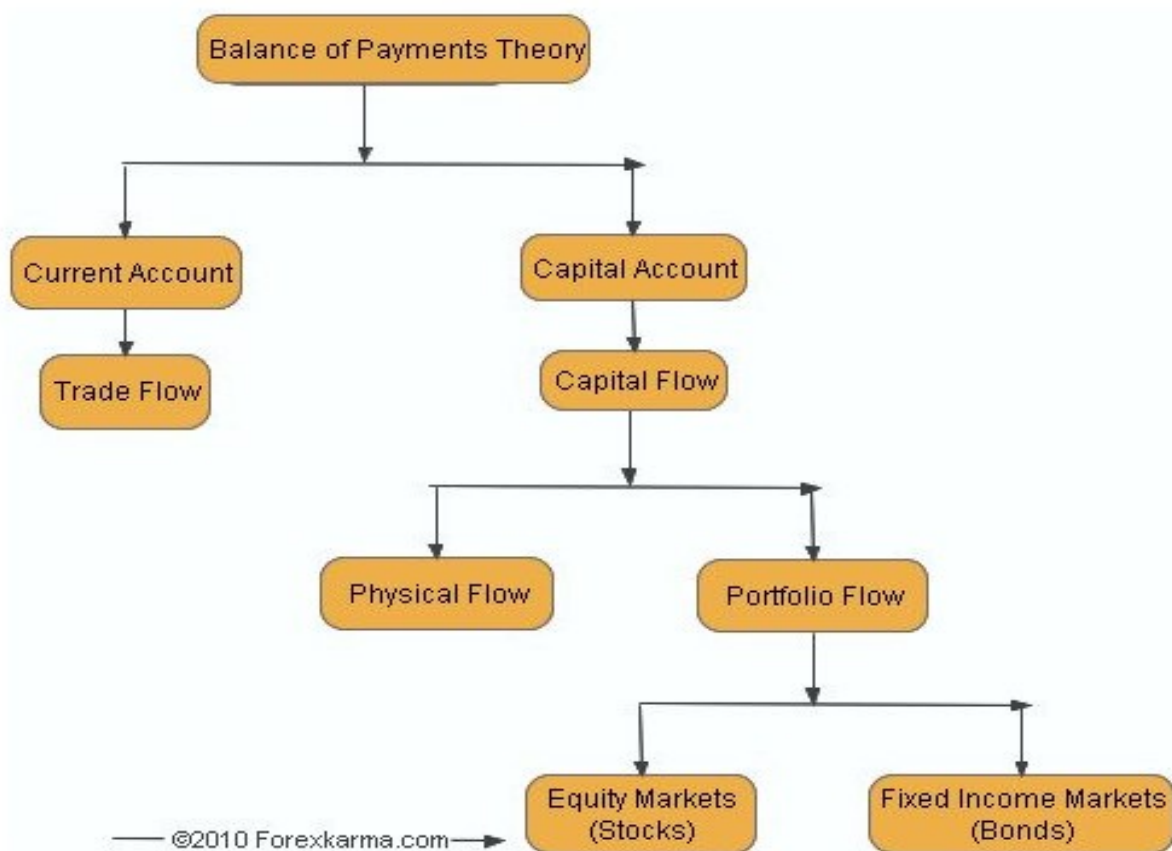
1. Apply the concepts of opportunity cost, comparative advantage, specialization, and gains from international trade.
2. Explain the importance of foreign investment.
3. Identify and explore the costs and benefits of multinational organizations.

**Balance of Payments (BOP)**



Is the record of a country's transaction with the rest of the world.

## Components of Balance of Payments



**The Balance of Payments Flowchart**

### Formula:

1. Balance on Merchandise/Visible trade/ Goods = Visible Export – Visible Import
2. Balance on Invisible Trade = Net services + Net Income & Transfers
3. Balance on Current Account = Balance of visible trade + Balance on Invisible trade
4. Balance on Capital Account = Capital Inflow – Capital Outflow OR Official capital + Non-Official capita

Please review your basic knowledge on the calculations of Balance of Payment. We will discuss in our next lesson.

Stay safe.....