



[Frequently Asked Questions]

[Balance of Payments]

Subject:	Business Economics
Course:	B.A., 4 th Semester, Undergraduate
Paper No. & Title:	Paper – 401 Macroeconomics – II
Unit No. & Title:	Unit – 2(Two) Open Economy I - The Concepts
Lecture No. & Title:	1(One) Balance of Payments

Frequently Asked Questions

1. Name three such items which are not included in balance of trade.

Ans. Three items which are not included in balance of trade:

- (i) Exports and imports of services such as of shipping, insurance and banking.
- (ii) Interest and dividend payment between the countries.
- (iii) Expenditures by tourists

2. What is meant by the Special Drawing Rights (SDRs)?

Ans. SDRs is also known as paper gold are international reserves created on the books of the International Monetary Fund and distributed to member nations according to their importance in international trade.

3. What is double-entry book keeping?

Ans. Double-entry book keeping is a procedure of recording a nation's international transactions in which each international transaction is recorded twice, once as a credit and once as a debit of an equal amount.

4. What are credit and debit transactions?

Ans. Credit transactions are those that involve the receipt of payments from foreigners, while debit transactions are those that involve the making of payments to foreigners.

5. What is the meaning of unilateral transfers?

Ans. A unilateral transfer is an economic transaction between residents of two nations over a stipulated period of time. These transactions consist of gifts exchanges, pension payments etc.

6. What is capital account?

Ans. It consists of transactions in financial assets in the form of short-term and long-term lendings and borrowings, and private and official investments.

7. What is current account?

Ans. The account shows all the transactions relating to trade in goods and services and unilateral transfers. Examples are- cost of travel and transportation, insurance, income and payments of foreign investments. Transfer payments include gifts, foreign aid, pensions etc.