



[Glossary]
[Balance of Payments]

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| 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 |

Glossary:

- **Balance of Payment:** The Balance of Payment is an annual statement which shows all the transactions of residents of a nation with the residents of all other nations.
- **Balance of Trade:** Balance of trade is the difference between exports and imports of material goods.
- **Autonomous Items:** Autonomous items are related to those transactions which are determined by consideration of profits.
- **Accommodating Items:** Accommodating items are not determined by consideration of profits. These items are meant to restore BoP equilibrium.
- **Balance of Payment Deficits:** It occurs when payments of a country on account of economic transactions with rest of the world exceed its receipts, and hence, there is an increase or decrease in official reserves.
- **Statistical Discrepancy:** Statistical discrepancy results from incorrectly recording or from not recording at all only one side of some transactions. It is likely to arise in recording short-term international private capital flows.
- **Capital account:** It consists of transactions in financial assets in the form of short-term and long-term lendings and borrowings, and private and official investments.
- **Current account:** 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.

- **Double-Entry Book Keeping:** 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



