



ECONOMICS

BOOKS - RADHA BHUGANA

ECONOMICS (HINGLISH)

BALANCE OF PAYMENTS

Let Us Recapitulate

1. Purchase of a firm by Reliance Ltd. In Japan is recorded on which side ? _____



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2. Sale of Indian watches in Korea is recorded on which side ? _____



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3. Purchase of a house by an American resident in India is recorded on which side ? _____



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4. Repayment of loan by Government of India to the World Bank is recorded on which side ?



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5. Receipts of unilateral transfers from foreign country to help victims of Uttarakhand disaster is recorded on which side ?



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6. Expenditure on education by a student in London is recorded on which side ?



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7. Purchase of machine from Japan by a producer.



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8. Sale of financial assets by central bank to finance deficit in BOP.



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9. Infosys raising loans from a bank in London.



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10. Repayment of a loan to Asian Development Bank by Government of India.



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11. Borrowing from IMF to recover from severe BOP crisis.



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12. Surplus in BOP account used to purchase foreign currency by RBI.



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Multiple Choice Questions

1. Economic transactions in BOP are

- A. visible items
- B. invisible items
- C. capital transfers
- D. all of these

Answer: D



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2. Briefly discuss about the Components of current account in BOP .

A. borrowing and lending

B. investments

C. export and import of goods

D. all of these

Answer: C



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3. Balance of trade is the difference between

A. determined by profit

B. above the line items

C. undertaken to maintain BOP identity

D. none of these

Answer: C



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4. Current account includes those transactions which

A. export and import of goods

B. receipts and payments of unilateral transfers

C. export and import of services

D. none of these

Answer: A



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5. Capital account includes those transactions which

A. affect assets and liabilities status of a country

B. do not affect assets and liabilities status of a country

C. lead to infow of foreign exchange

D. all of these

Answer: A



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6. Transactions which take place on both current and capital account are:

A. Autonomous

B. accommodating

C. both a) and b)

D. neither a) nor b)

Answer: A



7. Foreign exchange transactions which are independent of other transactions in the Balance of Payments Account are called:

- A. Current account transactions
- B. Capital account transactions
- C. Autonomous transactions
- D. Accommodating transactions

Answer: C





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8. Foreign exchange transactions dependent on other foreign exchange transactions are called:

- A. Current account transactions
- B. Capital account transactions
- C. Autonomous transactions
- D. Accommodating transactions

Answer: D



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9. Balance of payments 'deficit' is the excess of:

A. Current account payments over current account receipts

B. Capital account payments over capital account receipts

C. Autonomous payments over autonomous receipts.

D. Accomodating payments over

accommodating receipts.

Answer: B



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10. Gifts and remittances to abraod are recorded in the

A. credit side of capital account

B. debit sale of capital account

C. credit side of current account

D. debit side of current account

Answer: D



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11. Export of machinery is recorded in the:

A. credit side of capital account

B. debit sale of capital account

C. credit side of current account

D. debit side of current account

Answer: C



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12. Loans taken from world bank are recorded in the:

A. credit side of capital account

B. debit sale of capital account

C. credit side of current account

D. debit side of current account

Answer: A



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Objective Questions

1. Where will sale of machinery to abroad be recorded in BOP accounts? Give reason.



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2. Where is 'borrowings from abroad' recorded in BOP accounts? Give reason.



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3. Giving reasons explain where "charity to foreign countries" is recorded in BOP accounts.



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4. What are components of current account?



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5. What are components of capital account?



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6. What is deficit in balance of payments?



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7. What is surplus of balance of payments?



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8. What does balance of payments account of a country record?



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9. Name the items included in balance of trade.



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10. When will balance of trade show a deficit?



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11. If value of exports of country is Rs 11000 crore and value of imports is Rs 20000 crore, what will be balance of trade?



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12. The balance of trade shows a deficit of Rs 5000 crores and value of imports is Rs 9000 crore. What is the value of exports?



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13. What are components of current account?



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14. What are the components of BOP accounts?

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15. Who are considered as residents of a country?

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16. Is exports of goods an autonomous item?



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Conceptual Questions

1. What is balance of trade?



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2. What is balance of payments?



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3. Define current account and capital account of BOP.



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4. What is the difference between balance of trade and current account balance?



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5. What is the difference between balance of trade and balance of payments?



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6. Differentiate between autonomous and accommodating items.



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Higher Order Thinking Skills

1. Classify the following transactions in current account or capital account:

i) Purchase of shares of ITC by Microsoft.

ii) Borrowing from IMF.

iii) Repayment of loan by Indian government taken from Germany.

iv) Remittance from abroad. v) Purchase of land in USA



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2. State whether the following transactions will be recorded on the debit side or credit side of BOP.

i) Loan from World Bank to cover deficit of BOP.

ii) Indian government repays loan taken from World Bank.

iii) Purchase of shares of Reilance by an American resident.

iv) Export of coffee to Japan.

v) Import of machines from USA.



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3. Identify the following items are visible items or invisible items:

i) Exports of machines.

ii) import of TV sets from Japan.

iii) Banking services in England

iv) Export of tea to Sri Lanka.



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4. What are the affects of disequilibrium (deficit) in BOP?



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5. Define deficit and surplus BOP.



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6. Give examples of autonomous and accommodating items.



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7. How is BOP deficit solved?



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Value Based Questions

1. A country's Balance of payment on current account showed deficit. Should it be a cause for alarm for the country? Comment.



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2. There has been sustained deficit in balance of payments of a country. Suggest some measures which the country should consider.



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3. Values of rupee is falling against dollar. How is it negative for the economy?



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Guidelines To Necer Questions

1. Should a current account deficit be a cause for alarm? Explain.



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2. What is meant by 'official reserve transactions'? Discuss their importance in Balance of Payments.

" " Or

What are official reserve transaction? Explain their importance in the balance of payments.



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Very Short Answer Type Questions

1. What does balance of payments mean?



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2. If the value of exports of a country is Rs 11000 crore and the value of imports is Rs 11600 crore, how much will be the trade balance?



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3. Calculate the value of imports when balance of trade is Rs (-) 400 crore and the value of exports is Rs 1300 crore.



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4. The balance of trade shows a deficit of Rs 300 crore. The value of exports is Rs 500 crore. What is the value of imports?



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5. The balance of trade shows a deficit of Rs 5000 crores and value of imports is Rs 9000 crore. What is the value of exports?



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