

To put it into practice I

- True or false? **Please, explain.**
 - If a country has a BOP deficit, the total of each BOP subaccount is negative.
 - The current account is a record of all trade in goods and services, while the capital account is a record of direct and portfolio investment and unilateral transfers.
 - Under a fixed exchange rate regime, if a country's private sector sells abroad more than it purchases, the central bank must sell foreign exchange.
 - All errors and omissions in the BOP are a result of black market transactions

To put it into practice II

- **Multiple choice. Please, explain.**

Assume H = home country, DC = domestic currency, F foreign country and FC = foreign currency

All else being equal, an increase in income in F leads to:

- (a) an increase in consumption in H, and therefore an increase in imports, resulting in an appreciation of the DC.
- (b) a decrease in consumption in H, and therefore an increase in exports, resulting in a depreciation of the DC.
- (c) an increase in consumption in F, and therefore an increase in imports, resulting in an appreciation of the DC.
- (d) an increase in consumption in F, and therefore an increase in imports, resulting in a depreciation of the DC.

To put it into practice III

• **Multiple choice. Please, explain.**

Assume H = home country, DC = domestic currency, F foreign country and FC = foreign currency

All else being equal, a decrease in prices in F leads to:

- (a) an increase in exports to H, and therefore an appreciation of the DC.
- (b) an increase in exports to H, and therefore a depreciation of the DC.
- (c) an increase in consumption in F, and therefore an increase in imports, resulting in an appreciation of the DC.
- (d) a decrease in consumption in F, and therefore a decrease in imports, resulting in a depreciation of the DC.

To put it into practice IV

- The BOP of Country A showed the following entries for 2011: a capital account surplus of 50, a deficit in the services account of 15, and a trade deficit of 45. The change in the official reserves was zero. Assuming $SD=0$, what was the balance of unilateral transfers for A?