To put it into practice I

- The following data are taken from the balance of payments of country A (currency AA):

Capital account	1995	1996	1997	1998
Portfolio investment (in billions of dollars)	+2.9	-6.9	-5.4	-8.7

Is the following statement consistent with the data shown above? "*After 1995, foreigners have issued AA-denominated bonds in A's capital market in order to take advantage of the favourable interest rate differential with respect to the US capital market.*"

To put it into practice II

- For each pair of conditions, which one refers to futures? Which one to forwards? **Support your claims with concise explanations.**

a. Standardized/ Tailor made
b. Mark-to-market risk/ Settlement risk
c. Fixed maturities/ Several available maturities
d. Less liquid secondary market/ Liquid secondary market
e. OTC traded/ Traded on regulated markets
f. For hedgers/ For speculators

To put it into practice III

- Multiple choice. **Justify your claims.**

  1. When the U.S. ships food aid to a developing nation, the U.S. debits:
     a. unilateral transfers
     b. services
     c. capital
     d. official reserves

  2. The payment of a dividend by an American company to a foreign stockholder represents:
     a. a debit in the U.S. capital account
     b. a credit in the U.S. capital account
     c. a credit in the U.S. official reserve account
     d. a debit in the U.S. current account

To put it into practice IV

3. When a U.S. firm imports a good from England and pays for it by drawing on its pound sterling account in a London Bank, the U.S. debits its current account and credits its:
   a. official reserve account
   b. unilateral transfers account
   c. services in its current account
   d. capital account

4. The capital account of the U.S. includes:
   a. the change in U.S. assets abroad and foreign assets in the U.S.
   b. the change in U.S. assets abroad and foreign assets in the U.S., other than official reserve assets
   c. all financial assets
   d. all but current account transactions