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.

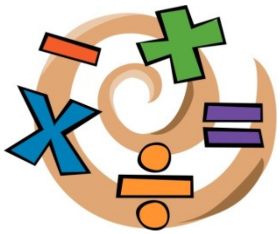
  - The current account is a record of all trade in goods and services, while the capital account is a record of direct and portfolio investment and unilateral transfers.

  - 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 2013: 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?