

The Balance of Payments: The Basics



<https://youtu.be/KOaytdbUdKc>

This video covers some key definitions and the structure of the Balance of Payments.

1. Outline the role of the balance of payments. (1 mark)

2. Differentiate between *credits* and *debits* in the balance of payments. (2 marks)

3. Identify two characteristics of transactions recorded in the current account. (1 mark)

4. Demonstrate the difference between *reversible* and *non-reversible* transactions. (2 marks)

5. Describe the transactions that are sorted under the following subaccounts in the current account. (1 mark each)

- a. Balance on goods and services

b. Net primary income

c. Net secondary income

6. Briefly outline the transactions that are sorted under the financial account. (1 mark)

7. Differentiate between the transactions in the direct investment account and portfolio investment account. (2 marks)

8. List one example of a transaction in each of the following subaccounts. (1 mark each)

a. Financial derivatives

b. Reserve assets

c. Other investment

9. Describe the transactions that are sorted under the capital account (2 marks) *(Hint: include the relevant type of foreign aid)*

10. Identify the type of foreign aid that is listed as net secondary income (1 mark)

Summary

Use this chart to illustrate the relationship between the accounts and subaccounts in the balance of payments.

