

SOLUTIONS TO WORKSHOP EXERCISES

Exercise 2. Credit and Debit Rules¹

NOTE: The purpose of this exercise is not to correctly classify balance of payments transactions according to the standard components. Rather, it is designed to encourage thought to be given to the double-sided nature of each transaction and any reasonable description of the credit and debit entries should be considered acceptable.

NAFA—Net acquisition of financial assets; NIL—Net incurrence of liabilities.

		<u>Credit</u>	<u>Debit</u>	<u>NAFA²</u>	<u>NIL</u>
1.	Export of goods	150,000			
	Other Investment – assets				
	Currency and deposits (C&D) – ODT ³		140,000	140,000	
	Other Investment – liabilities				
	C&D - ODT ^C		10,000		-10,000
2.	Import of goods		30,000		
	Secondary Income - Personal transfers	30,000			
3.	Import of goods		8,000		
	Other Investment – liabilities				
	C&D - Central Bank	8,000			8,000
4.	Import of goods		91,970		
	Other Investment – assets				
	C&D - ODT ^C	91,970			-91,970
5.	Not an international transaction and not double entry (other changes in volume-monetization of gold held as reserve asset under the assumption that it is refined).				
6.	Travel		4,000		
	Other Investment – assets				
	C&D - ODT ^C	4,000			-4,000

¹ Reproductions of this material, or any parts of it, should refer to the IMF Statistics Department as the source.

² According to *BPM6* presentation of the financial account.

³ Other deposit taking corporations

		<u>Credit</u>	<u>Debit</u>	<u>NAFA</u>	<u>NIL</u>
7.	Travel	1,000			
	Other Investment – liabilities (domestic currency held by nonresidents)				
	C&D - Central Bank		1,000		-1,000
8.	Transport - Other	5,000			
	Other Investment – liabilities				
	C&D - ODT			5,000	-5,000
9.	Transport - Freight	24,000			
	Transport - Passenger	1,000			
	Other Investment – assets				
	C&D – ODT ⁴			25,000	25,000
10.	Primary income - Other Investment- Interest	6,000			
	Other Investment – liabilities				
	Loans - General Government		5,000		-5,000
	Reserve Assets - Other reserve assets (C&D)	11,000		-11,000	
11.	Portfolio Investment – assets				
	Equity and inv. fund shares, Other sectors		15,000	15,000	
	Other Investment – assets				
	C&D - ODT	15,000		-15,000	
12.	Reserve assets- Monetary gold - Gold bullion		11,000	11,000	
	Reserve assets - Other reserve assets - C&D	11,000		-11,000	
13.	Export of goods	110,000			
	Other Investment – assets				
	C&D - ODT		100,000	100,000	
	Other Investment – liabilities				
	C&D - ODT		10,000		-10,000

⁴ It is assumed that the enterprises have no accounts abroad and have the money transferred to their account with domestic banks. If payments are received in cash, the BOP entry will be for Currency and deposits, / Other sectors. When the cash is sold to banks, a reclassification from Currency and deposits / Other sectors to ODT will be registered in IIP through Other changes in volume.

		<u>Credit</u>	<u>Debit</u>	<u>NAFA</u>	<u>NIL</u>
14.	Travel	100,000			
	Other Investment – assets				
	C&D - ODT	100,000		-100,000	
15.	Import of goods	2,000			
	Other Investment - liabilities				
	Trade credit and advances	2,000		2,000	
16.	Transport - Freight	15,000			
	Other Investment - assets				
	C&D - Other sectors	15,000		-15,000	
17.	Primary income - Portfolio Inv. - income on equity	50,000			
	Other Investment – assets				
	C&D - Other sectors		50,000	50,000	
	Primary Income - Interest on external debt		100,000		
	Reserve assets - Other reserve assets - C&D	100,000		-100,000	
18.	Import of goods	1,500			
	Other Investment – liabilities				
	C&D - Central Bank	1,500		1,500	
19.	Export of goods	100,000			
	Secondary Income - General Government				
	Miscellaneous current transfers		100,000		
20.	Primary income - Portfolio investment				
	Income on equity	45,000			
	Secondary income –				
	Fin Corp, non fin corp., households, and NPISHs				
	Current taxes on income		5,000		
	Portfolio Investment – assets				
	Equity and inv. fund shares - Other sectors		20,000	20,000	
	Other Investment – assets				
	C&D - ODT		20,000	20,000	