Course on Balance of Payments and International Investment Position Statistics
January 19–23, 2015

Workshop Exercises 2

Balance of Payments Division, Statistics Department

EXERCISE 2. CREDIT AND DEBIT RULES[1]

Instructions: Record the offsetting credit and debit entries required for each of Country A's international transactions listed below. Note that the presentation of the financial account is according to: (i) changes in financial assets; and (ii) changes in liabilities (i.e., a net value taking into account both credits and debits; as done under both *BPM5* and *BPM6*.)

1. The FOB value of merchandise exports was $150,000. Of this amount, $140,000 was paid in foreign exchange, which the exporters deposited in domestic commercial banks. The commercial banks, in turn, deposited these funds in their correspondent banks abroad. The equivalent of $10,000 was paid in national currency, in the form of checks drawn against the nonresident importers' deposits in commercial banks of Country A.

2. Residents of country A received, from friends abroad, gifts of goods valued at $30,000.

3. The United States Government sold agricultural surpluses worth $8,000 to Country A. Payment was made in Country A currency. The United States Treasury deposited the receipts in an account with the Central Bank of Country A.

4. Residents of Country A imported goods with an estimated FOB value of $91,970. Payment was made using foreign exchange balances held abroad by Country A's commercial banks.

5. Gold miners of Country A sold recently extracted gold valued at $1,000 and $7,000 to industry and the Central Bank of Country A, respectively.

6. Residents of Country A spent $4,000 on travel abroad; the funds were drawn from balances held abroad by commercial banks of Country A.

7. Using bank notes of the Central Bank of Country A acquired abroad, nonresident travelers spent in Country A the equivalent of $1,000 in national currency.

8. Nonresident transport enterprises paid, by drawing against their bank accounts in Country A, the equivalent of $5,000 in national currency for port services.

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

Exercise 2 (continued)

9. Transport enterprises of Country A obtained receipts amounting to $25,000 from their transactions with nonresidents. Of this sum, $1,000 was for passenger services and $24,000 for freight services. Payment was received in the form of foreign exchange, which was sold to commercial banks of Country A.

10. The Government of Country A paid $6,000 in interest on loans from foreign governments. Repayments of principal on these loans amounted to $5,000. Both payments were made in foreign exchange, using the reserves of the Central Bank of Country A.

11. Residents of Country A acquired $15,000 in ordinary stock of companies listed on the New York Stock Exchange, making payment in U.S. dollars held by commercial banks of Country A.

12. The Central Bank of Country A reduced its demand deposits with United States' banks by buying $11,000 in gold from the Federal Reserve Bank of New York. The gold was left in the Federal Reserve's custody.

13. Miners of Country A sold to nonresidents $100,000 of iron ore for foreign exchange and the proceeds were deposited in commercial banks of Country A. The miners also sold iron ore valued at $10,000 for national currency, which the nonresident buyers withdrew from their deposits in commercial banks of Country A.

14. Foreign currency expenditure by residents of Country A traveling abroad was the equivalent of $100,000. The foreign currency was drawn against the deposits abroad of Country A commercial banks.

15. Country A residents imported merchandise worth $2,000 and financed by foreign private trade credits.

16. Country A traders paid, using private foreign exchange holdings abroad, $15,000 to nonresident carriers for the transportation of imports to Country A.

17. Some individuals, resident in Country A, received $50,000 in foreign exchange by way of interest and dividend payments on their investments abroad. The money was left on deposit in the individuals' bank accounts abroad. The Country A Government paid $100,000 in foreign exchange, which it obtained from the Central Bank of Country A, as interest to nonresident holders of its official debt.

Exercise 2 (concluded)

18. The Country A Government bought United States agricultural surpluses, and paid for these in national currency. The United States Government deposited the proceeds of these sales, equal to $1,500, in the Central Bank of Country A.

19. Country A donated wheat with a market value of $100,000 to the drought stricken Country B.

20. Country A residents received $40,000 in dividends from share investments in Country B, after the Country B government had deducted $5,000 in withholding taxes. Of the $40,000, $20,000 was used to purchase additional shares in companies of Country B, while the remaining $20,000 was deposited with Country A commercial banks.