

Current or Financial Account?

Identify if the examples are counted in the current or financial account and determine if it is a credit or debit for the US.

1. Bill, an American, invests \$20 million in a ski resort in Canada
2. A Korean company sells vests to the US Military
3. A US company, Boeing, sells twenty 747s to France
4. A Chinese company buys a shopping mall in San Diego
5. An illegal immigrant living in the US sends a portion of his earning to his family in Bora Bora
6. A German investor buys \$50,000 US Treasury Bonds
7. Italian tourists spend 5 million in the US while American tourists spend 8 million in Italy.

36. A country can have an increased surplus in its balance of trade as a result of

- (A) an increase in domestic inflation
- (B) declining imports and rising exports
- (C) higher tariffs imposed by its trading partners
- (D) an increase in capital inflow
- (E) an appreciating currency

2. Balance of payments accounts record all of a country's international transactions during a year.
- (a) Two major subaccounts in the balance of payments accounts are the current account and the capital account. In which of these subaccounts will each of the following transactions be recorded?
 - (i) A United States resident buys chocolate from Belgium.
 - (ii) A United States manufacturer buys computer equipment from Japan.
 - (b) How would an increase in the real income in the United States affect the United States current account balance? Explain.