

6.4 Current Account of Balance of Payments

Question Paper

Course	CIEIGCSE Economics
Section	6. International Trade & Globalisation
Topic	6.4 Current Account of Balance of Payments
Difficulty	Medium

Time allowed: 30
Score: /19
Percentage: /100

Question 1

A country wishes to increase a current account surplus on the balance of payments.

Which action would it take?

- A. abolish an import quota
- B. increase import tariffs
- C. remove export subsidies
- D. tax export producers

[1 mark]

Question 2

The table shows a country's exports and imports.

	\$m
exports of goods	200
imports of goods	190
exports of services	35
imports of services	38

What was the country's balance of trade in goods and services?

- A. a deficit of \$7 million
- B. a deficit of \$13 million
- C. a surplus of \$7 million
- D. a surplus of \$13 million

[1 mark]

Question 3a

The table shows a selection of economic data for a country.

	\$m
primary income (net income transfers)	1000
secondary income (net current transfers)	-500
total value of exported goods	1000
total value of imported goods	2000
total value of exported services	800
total value of imported services	200

What is the current account balance of this country?

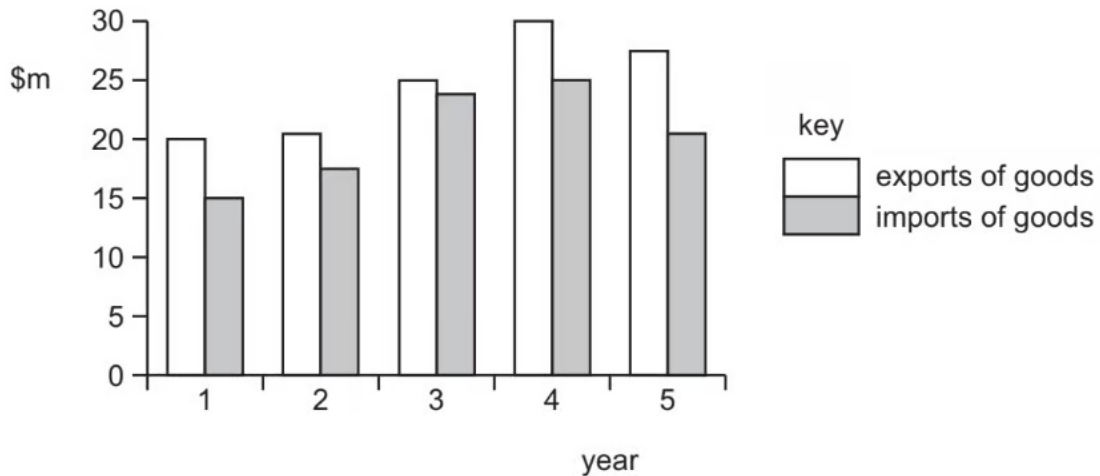
- A. \$100 m
- B. \$600 m
- C. \$4500 m
- D. \$4725 m

[1 mark]

Question 3b

The diagram shows the value of a country's exports and imports of goods over five years.

Between which two years did the country have an increase in the value of imports and an improvement in its balance of trade in goods?



- A. 1 and 2
- B. 2 and 3
- C. 3 and 4
- D. 4 and 5

[1 mark]

Question 4

What would cause a favourable change in the Kenyan trade in services (invisible) account?

- A. A Kenyan company wins a contract to transport exports from Uganda.
- B. A Kenyan tea company increases its exports.
- C. A Kenyan trade delegation promoting coffee sales visits India.
- D. A Zambian company increases its exports to Kenya.

[1 mark]

Question 5

What would cause a rise in the deficit on the current account of the balance of payments?

- A. a fall in foreign direct investment into the country
- B. a fall in interest earned on overseas investment by the country
- C. a fall in the value of imported manufactured goods into the country
- D. a rise in the revenue earned from tourism in the country

[1 mark]

Question 6

Which measure would a government take to reduce a current account deficit?

- A. increase tariffs
- B. increase value added tax
- C. reduce income tax
- D. reduce domestic subsidies

[1 mark]

Question 7

A government is faced with an unwanted deficit on the current account of its balance of payments.

Which action is **most** likely to reduce the deficit?

- A. raising government spending on welfare benefits
- B. reducing income tax
- C. restricting imports by raising tariffs
- D. revaluing its currency

[1 mark]

Question 8

The table shows information from a country's current account of its balance of payments.

	\$ billion
exports of goods	20
imports of goods	24
net services	+5
net primary income	-8
net secondary income	-8

What is the country's current account balance?

- A. +\$1 billion
- B. -\$4 billion
- C. -\$7 billion
- D. -\$15 billion

[1 mark]

Question 9

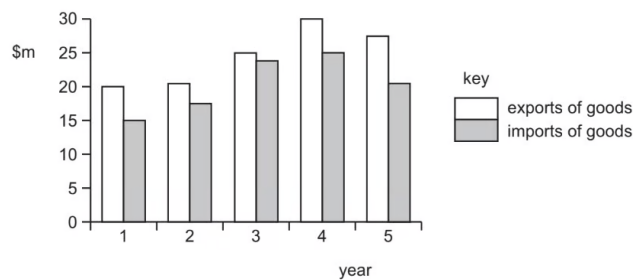
What would **not** be included in the current account of the balance of payments?

- A. dividends earned from a firm in another country
- B. imports of TVs from another country
- C. purchase of a house in another country
- D. rents paid to owners of land in another country

[1 mark]

Question 10

The diagram shows the value of a country's exports and imports of goods over five years.



Between which two years did the country have an increase in the value of imports and an improvement in its balance of trade in goods?

- A. 1 and 2
- B. 2 and 3
- C. 3 and 4
- D. 4 and 5

[1 mark]

Question 11

What would cause a favourable change in the Kenyan trade in services (invisible) account?

- A. A Kenyan company wins a contract to transport exports from Uganda.
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- D. A Zambian company increases its exports to Kenya.

[1 mark]

Question 12

Which item will register as an outflow on the services section of the current account of the US balance of payments?

- A. money paid by chemical producers in the US for foreign oil
- B. money paid by foreign firms for US cars
- C. money paid by migrant workers in the US to their families overseas
- D. money paid by US tourists visiting attractions in other countries

[1 mark]

Question 13

What is **most** likely to happen if South Korea builds a factory in Switzerland that becomes profitable?

- A. South Korea's imports of goods will decrease.
- B. South Korea's investment income will increase.
- C. Switzerland's trade balance in goods will worsen.
- D. Switzerland's trade balance in services will improve.

[1 mark]

Question 14

Which government policy is **most** likely to improve a country's balance of trade?

- A. a decrease in direct taxation
- B. a decrease in the exchange rate
- C. a decrease in the level of tariffs
- D. an increase in government expenditure

[1 mark]

Question 15

It is estimated that in 2016 the Olympic Games in Rio, Brazil attracted over 600 000 foreign visitors.

What is likely to have been the result of this number of visitors?

- A. a depreciation of Brazil's currency
- B. a fall in Brazil's rate of inflation
- C. an increase in the Brazilian government's budget deficit
- D. a reduction in Brazil's deficit on the current account of its balance of payments

[1 mark]

Question 16

What is **most** likely to happen if South Korea builds a factory in Switzerland that becomes profitable?

- A. South Korea's imports of goods will decrease.
- B. South Korea's investment income will increase.
- C. Switzerland's trade balance in goods will worsen.
- D. Switzerland's trade balance in services will improve.

[1 mark]

Question 17

In July 2015, Australia's balance of trade with the rest of the world was -2809 billion Australian dollars. In January 2016 it was -3294 billion Australian dollars.

What describes Australia's balance of trade over this period?

	balance of trade	trend
A	deficit	improving
B	deficit	worsening
C	surplus	improving
D	surplus	worsening

[1 mark]

Question 18

In 2012 the UK held the Olympic Games, which attracted a large number of visitors from foreign countries.

Which item of the UK's current account balance will have benefited directly from this event?

- A. export trade in goods
- B. export trade in services
- C. import trade in goods
- D. import trade in services

[1 mark]