IGCSE ECONOMICS • EXERCISE SHEET

6.4 Current account of the balance of payments

Name: ____________ Class: ________ Date: __________ **Total: 18 marks**

KEY WORDS current account 经常账户 • balance of payments 国际收支 • deficit 逆差 • surplus 顺差 • trade in goods 货物贸易

Objective

Build the skills to answer exam questions on **the current account of the balance of payments** 经常账户 — its four sections, **deficit and surplus** 逆差与顺差, and how to **correct a deficit** 纠正逆差.

You must be able to:

- state the four sections of the current account
- explain a current account deficit and surplus
- analyse policies to correct a deficit

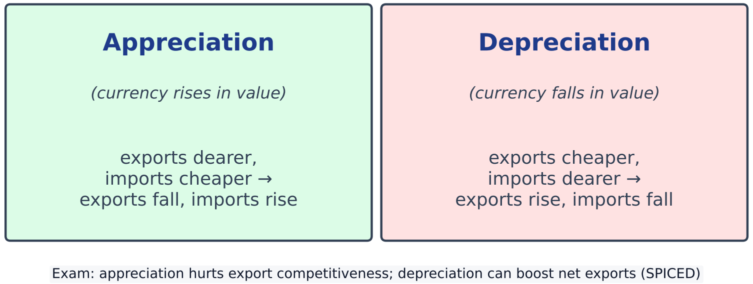
1 Worked examples

■ **The current account**

A record of money flowing into and out of a country

- **Four sections: trade in goods** 货物贸易, **trade in services** 服务贸易, **primary income** 初次收入 (wages, interest, profit from abroad), **secondary income** 二次收入 (aid, gifts).

- **Deficit** 逆差: more money flows out than in. **Surplus** 顺差: more flows in than out.
- **Correct a deficit by:** cutting demand, a **depreciation** 贬值, trade protection, or raising **competitiveness** 竞争力.



A depreciation is one cure for a deficit: cheaper exports, dearer imports, a smaller trade gap

Answer shapes: K + App + An + Ev (a justified judgement, for discuss questions).

2 Practice

2.1 State the four sections of the current account. [2]

2.2 Define the term *current account deficit.* [2]

2.3 State one way a government could reduce a current account deficit. [1]

3 Exam-style questions

3.1 Which is part of the **current account**? [1]

A | B
C | D

A the sale of government bonds to foreigners
B trade in services
C the country's gold reserves
D a loan from a foreign bank

3.2 Explain two reasons why a country might have a current account deficit. [4]

3.3 Discuss whether a current account deficit is always a problem for a country. [8]