25 Which statement about the components of the balance of payments is correct?

A The current account consists of transactions in goods, services, investment income and remittances between countries.

B The current account consists of transactions in goods, services, and portfolio investment between countries.

C The financial account consists of transactions in financial assets, investment income and remittances between countries.

D The financial account consists of transactions in fixed assets, investment income and the balancing item between countries.

29 There is a rise in the domestic rate of interest in an economy. This economy has a fixed exchange rate.

What would be the impact on the current and financial accounts of the balance of payments?

	current account	financial account
A	improves	improves
B	improves	worsens
C	worsens	improves
D	worsens	worsens

A-Level Economics: **w25 32**

18 A country with a managed exchange rate has a persistent deficit on the current account of the balance of payments. It devalues its currency to reduce this deficit.

Under which conditions will a devaluation help the government to achieve its four main macroeconomic objectives?

	Marshall–Lerner condition satisfied	level of employment
A	no	below full employment
B	no	full employment
C	yes	below full employment
D	yes	full employment

A-Level Economics: **w25 34**

29 A country with fixed exchange rates faces a surplus on its current account.

Which policy is most desirable to maintain the fixed exchange rate?

A an increase in subsidies given to exporters

B the imposition of trade barriers on the import of non-essential goods

C the sale of foreign currencies in the foreign exchange market

D the use of expansionary monetary policy