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

A income earned outside the country that is transferred into the country

B value of food and raw materials produced and consumed within the country

C value of food and raw materials that are exported

D value of telecommunications services that are imported

A-Level Economics: **w25 12**

29 What is the effect of a cut in a country‘s income tax rates on its exports and imports?

	exports	imports
A	fall	fall
B	fall	unchanged
C	unchanged	fall
D	unchanged	rise

A-Level Economics: **w25 13**

30 The main export of country X is oil. The world demand for oil is price inelastic. The world supply of oil is reduced by the major oil producing countries, including country X. Imports into country X are unchanged.

What are the effects of this action by the major oil producing countries on the terms of trade and the current account of the balance of payments in country X?

	terms of trade	current account
A	increases	increases
B	increases	decreases
C	decreases	increases
D	decreases	decreases

18 An open economy with a government is in equilibrium at a national income of $900 million.

Households spend $700 million and save $50 million.

Firms spend $100 million on investment.

The government spends $150 million and has a balanced budget.

How much is spent on exports and imports?

	export spending ($ million)	import spending ($ million)
A	100	100
B	100	50
C	50	100
D	50	50

20 When calculating national income by the income method, what would **not** be included?

A income from abroad

B profits of private sector businesses

C rent from the ownership of land

D transfer payments

4 **(a)** Explain **three** components of the current account of the balance of payments **and** consider the extent to which a depreciation in the exchange rate will always lead to a surplus on the current account. [8]

(b) Assess the extent to which the use of supply-side policy would be the best way to reduce a deficit on the current account of the balance of payments. [12]

OR

5 **(a)** Explain **two** reasons why an economy may have a deficit on the current account of its balance of payments **and** consider whether its government is likely to be concerned about this deficit. [8]

(b) Assess whether it is better to use protectionist policies or contractionary policies to reduce a deficit on the current account of the balance of payments. [12]

29 Primary income and secondary income are components of the current account of the balance of payments.

Which option correctly identifies an example of primary income and secondary income?

	primary income	secondary income
A	government transfers	income from profits earned abroad
B	income from profits earned abroad	dividends earned on foreign shares
C	income from profits earned abroad	government transfers
D	workers' remittances	income from profits earned abroad

A-Level Economics: **Specimen 1**

21 A government succeeds in changing a current account deficit into a current account surplus.

Why might this current account surplus increase the country's inflation rate?

A It raises Aggregate Demand.

B It raises production costs.

C It reduces the exchange rate.

D It reduces the money supply.