Balance of Payments is an interactive technical note with the principal objective of helping students understand the procedures for preparing a balance of payments draft, whilst at the same time introducing them to its main characteristics.

In this interactive technical note the student will learn:

• To create a balance of payments sheet draft (defining its structure and assigning the correct items to each balance)
• The procedures of the fifth IMF manual
• How to interpret the balance of payments
Through interactive exercises students will study the structure of the balance of payments and will organize the associated items in accordance with the specifications of the fifth IMF manual. A printable version of the main theoretical concepts is also included.
Once the student has worked through the exercise and developed the balance of payments, multiple choice questions test students' understanding of the measurement and interpretation techniques.

Photo examples, maps and charts detail the individual dates and short texts introduce the importance of each fact in the countries development.

### Practical application

We will now ask you some simple questions related to the application of the balance of payments. Click on SEE BALANCE OF PAYMENTS to access previous data, in order to answer the following questions.

1. Can you tell if the eurozone bought or sold foreign currency in the year 2002?
   - a. The market is not open enough.
   - b. The currency has appreciated.
   - c. The currency has depreciated.
   - d. The currency has fluctuated.
   - e. Opinions vary.

   **INCORRECT**
   - The right answer is d.

   The stock fluctuation is negative, which means that the eurozone raised its gold and foreign currency reserves, in other words it is in debt to the rest of the world to the sum of five thousand million euro. Therefore, the foreign currency has risen.

2. Can you say if the eurozone improved its position as a creditor during the year 2002, or if its position as a debtor rose (imported savings)?

   a. Yes
   b. No
   c. Opinions vary
   d. Don’t know
   e. The market is not open enough

   **INCORRECT**
   - The right answer is a.

   The profit is negative, which means that the eurozone is in debt to the rest of the world to the sum of five thousand million euro. Therefore, the foreign currency has risen.