

Name: \_\_\_\_\_

### Balance of Payment

Directions: Record each of the transactions below in the respective balance or payments accounts of the United States (U.S.) and Germany. The first transaction has been done for you. (Normally, Germany would record its accounts in terms of its own currency. For convenience, we record it here in terms of U.S. dollars. This is a legitimate procedure if the German currency has been expressed in U.S. dollars at the average exchange rate between the two currencies during the time period covered.)

	U.S. Debit	U.S. Credit		German Debit	German Credit
U.S. sells \$1 million of steel to a German builder		\$1 M		\$ 1 m	
Bank of America pays \$5 million in interest to German depositors					
U.S. citizens spend \$3 million on German Mercedes automobiles					
A U.S. firm receives a \$2 million dividend on its investments in Germany					
German tourists spend \$3 million in U.S. while American tourist spend \$5 million in Germany					
A German firm pays \$1 million to a U.S. shipping line for transporting a load of cars					
U.S. exchange students spend \$8 million for tuition at the University of Bonn, Germany					
The government of Germany buys a \$10 million missile from the U.S. Army to shore up its defense					
Total					

The transactions in the example above are all recorded in (or are a part of what is known as) the "current account" of the balance of payments, and are what most of us think of as exports and imports of goods and services. Notice that the U.S. has exported less than it has imported and is left with a deficit in its current account (i.e., debits exceed credits in respect to Germany). Germany is in exactly the opposite situation; it has a surplus in its current account in respect to the United States.