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Subject: Planning and Economic Development.(PED)-8-

Topic: Balance of Payment and Balance of trade meaning.

The current account of the balance of payments shows an economy's trade in goods and services by residents with non-residents as separate components. Similarly, foreign trade statistics cover an economy's exports and imports of goods and services.

Meaning of Balance of Payments:

It is an accounting statement that provides a systematic record of all the economic transactions, between residents of a country and the rest of the world in a given period of time.

Structure of Balance of Payments:-

- a) *Balanced BOP*: BOP is balanced when receipts of foreign exchange are equal to payments of foreign exchange.
- b) *Surplus BOP*: BOP is surplus when receipts of foreign exchange are more than payments of foreign exchange.
- c) *Deficit BOP*: BOP is in deficit when receipts of foreign exchange are less than payments of foreign exchange.

Meaning of Balance of Trade:

It refers to difference between the amounts of exports and imports of visible items (goods).

Balance of Trade = Exports of goods – Imports of goods

Components of Balance of Payments

a) Current Account:- It refers to an account which records of all the transactions relating to export and import of goods and services and unilateral transfers during a given period of time.

b) Capital Account:- It records all those transactions, between the residents of a country and the rest of the world, which cause a change in the assets or liabilities of the residents of the country or its government.