

Foreign Sector

Balance of Payments A/c

or
BOP A/c

or
BOP

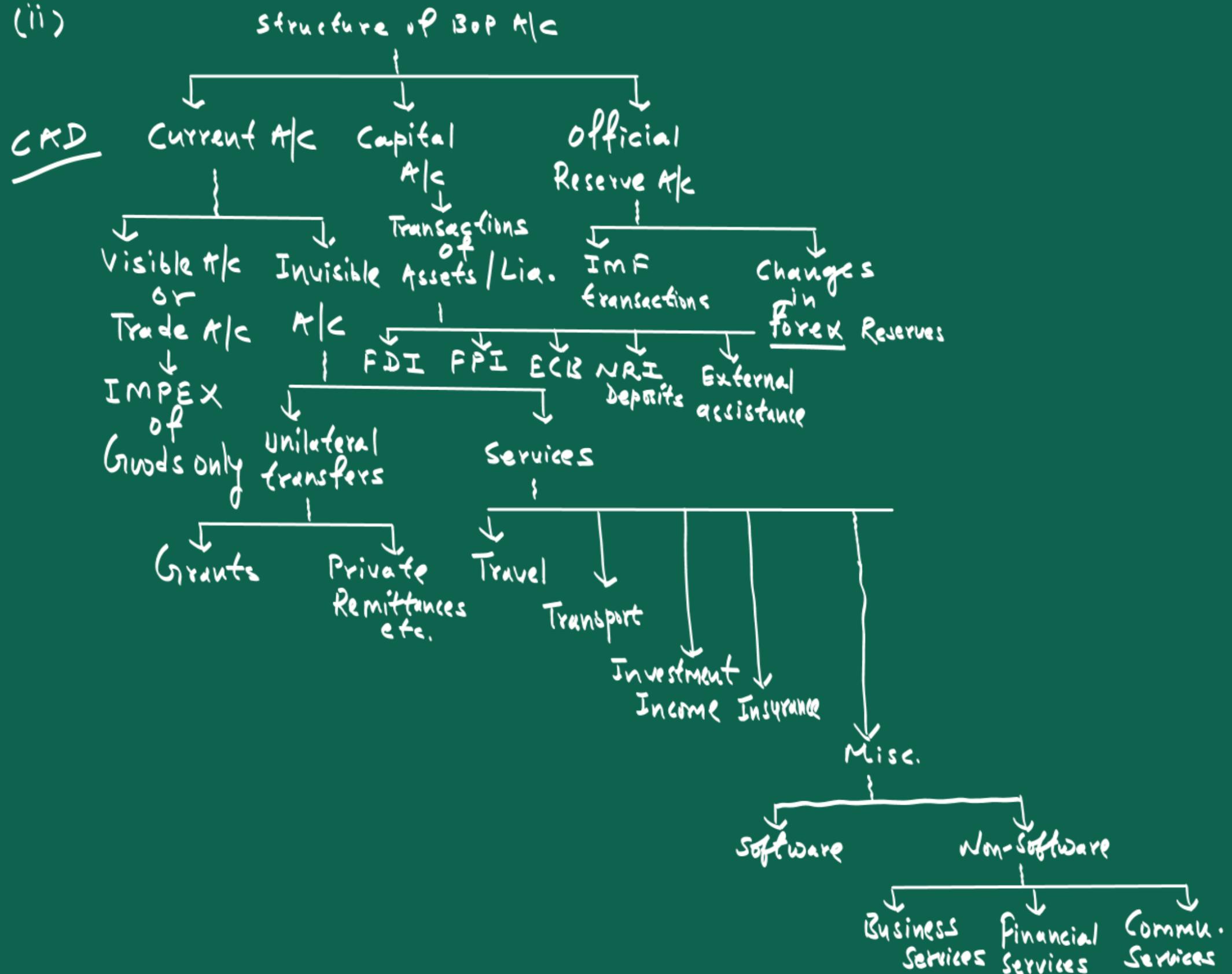
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(i) Meaning -

↓
The BOP A/c is an annual financial statement of a country's economic transactions with the rest of the world.

↓

(ii)



Notes -

(i) In the Visible A/c
or the Trade A/c, only

IMPEx of goods is recorded.

↓
Import - Export

The net position (Total
Credit - Total Debit) of this

account is called -



BoT = Balance on
Trade A/c

Positive

Trade Surplus

Total Credit > Total Debit

Negative

Trade Deficit

Total Credit < Total Debit

(ii)

In the Invisible A/c

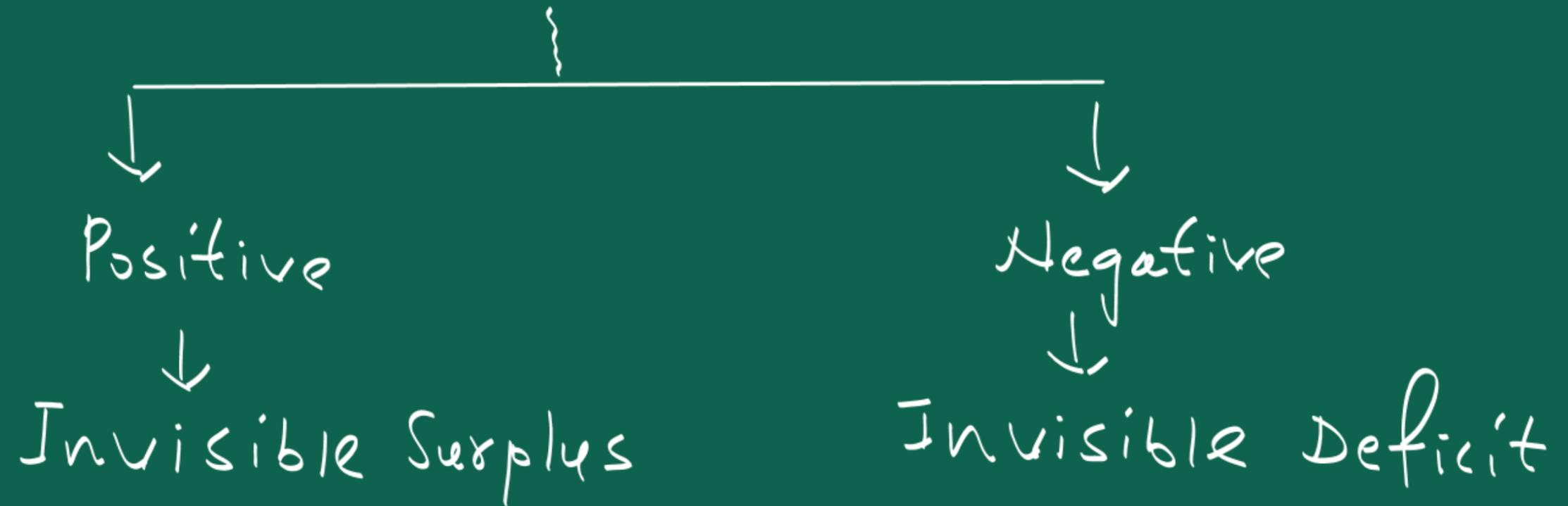


{ Unilateral Transfers
&
Service trade }

are recorded.

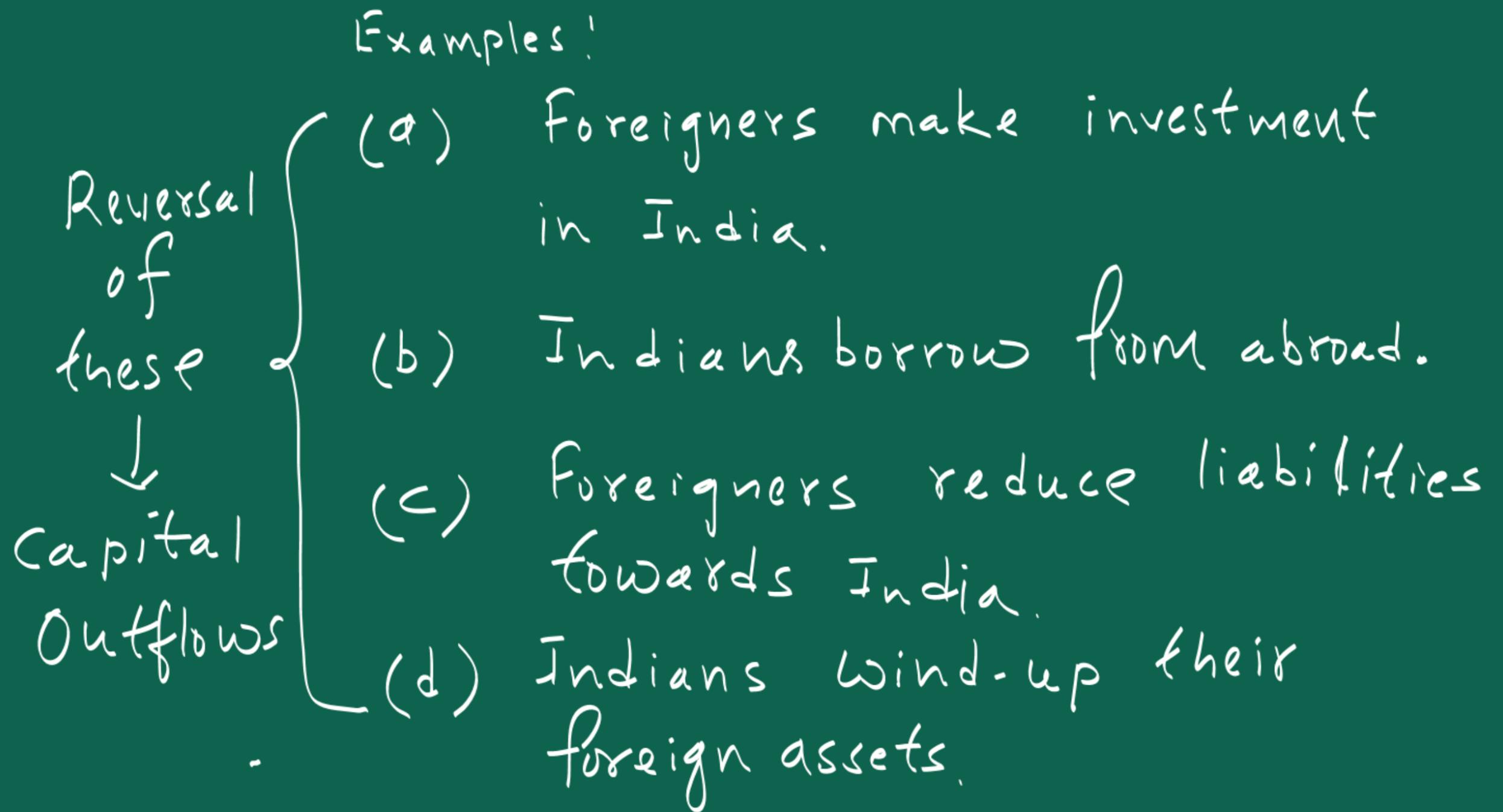
Its net position is
called →

BoI = Balance on Invisible
A/c



(iv) In the capital A/c, transactions of assets/Lia. are recorded like FDI, FPI, ECR etc.

(v) The credit entries in the capital A/c create the so-called capital Inflows.



(vi) In the calculation of FOREX Reserves, the following items are included-



Foreign Exchange

(vii)

Adequacy of
forex reserves



Guidotti-Greenspan
rule

(Eco. Survey 22-23)



the level of forex reserves
should not be less than the
short term external debt.

(viii)

Import - cover



Forex reserves

can cover how many
days/months of imports



At least 3 months

(Eco. Survey 22.23)

(a) FCA = Foreign Currency Assets

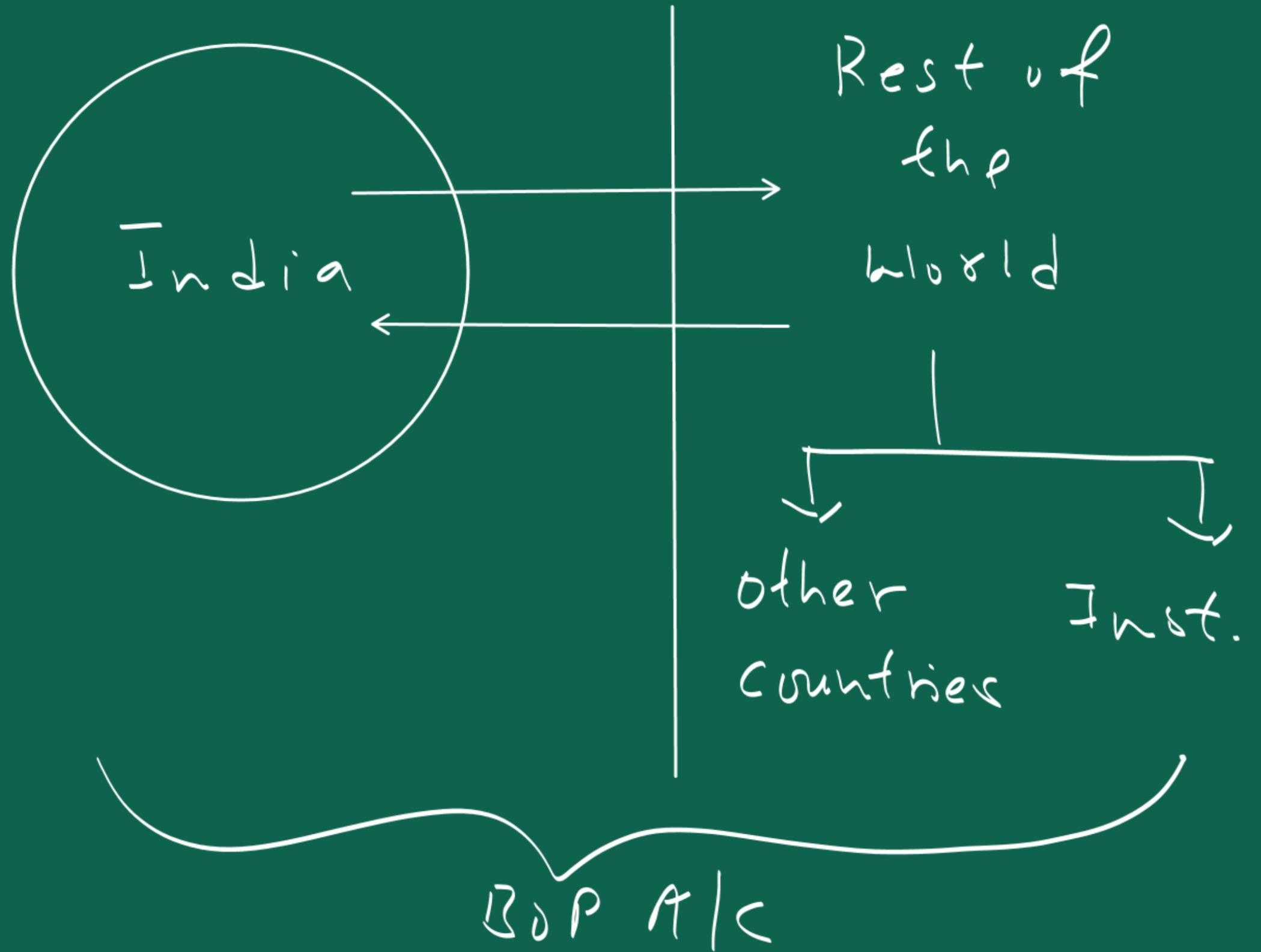
(b) Gold

(c) SDR Allocation

↳ An IMF currency

(d) RTP = Reserve Tranche
Position

25% of Quota which a member
country of IMF requires to deposit in gold
or convertible currencies.



In this A/c, there are two types of entries -

