

EC201 Macroeconomics 2, Term 1 2025
University of Warwick
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Support and Feedback Class 1 (week 3)
Global Imbalances

Pre-Class Review Questions

A. Pre-class Review Questions These review questions are designed to help you reflect on the lecture material and check your understanding. You must complete them before the support and feedback class. At the start of the class, you will need to show your answers to your tutor, who will record both your attendance and preparation. If you have any doubts about the questions, you can ask your tutor at the beginning of the session. Please note that review questions will not be discussed in detail during the class; however, brief answers will be posted on Moodle before the test and exam.

- 1. Balance of Payments Accounting:** Describe how each of the following transactions affects the Balance of Payments of a country in question. (Recall that each transaction gives rise to two entries in the Balance-of-Payments Accounts.)
 - (a) A British university buys several park benches from Spain and pays with a £120,000 check.
 - (b) Nick Brattle, from Leamington Spa, buys 5,000.00 pounds worth of Jaguar stock from HSBC London, paying with British pounds.
 - (c) A French consumer imports American blue jeans and pays with a check drawn on a U.S. bank in New York.
 - (d) An American company sells a subsidiary in the United States and with the proceeds buys a French company.
 - (e) Two friends from China travel to Australia and spend AUD 3,000 on accommodation during their vacation. How does this affect China's balance of payments?
 - (f) Norway sends medicine, blankets, tents, and nonperishable food worth 1 billion NOK to victims of an earthquake in a foreign country.

B. In-class Question to be distributed in class by tutors

C. Self-study Question to be distributed in class by tutors