

TOPIC : Balance of payment account

PRE CONTENT	General	Specific
The government of each country keeps an account like a typical business man. Such an account of international economic transactions is useful for several reasons. The main purpose behind keeping account of international transactions is to provide information to the government and other agencies about the international position of trade and capital flows of the country. It also enables the government to formulate appropriate monetary, fiscal and trade policies.	To understand the important issues of balance of payment and its various aspects like definition of balance of payment, components of balance of payment and causes of disequilibrium in the balance of payments.	Students will be able to- A .define the meaning of balance of payments. b. classify the economic transactions of BOP. c. differentiate between current account and capital account, d. interpret items as accommodating and autonomous. e. estimate current account balance and capital account balance. f. discuss reasons for disequilibrium in BOP .

Home Work /Assignments

Board questions, HOTS and questions from exercise from the reference book will be given.

Teacher's Activity	Student's Activity	Teacher's Observation And Remedial
Will initiate the discussion on balance of payment. Explain the meaning of balance of payment. Explain the difference between balance of payment and balance of trade. Discuss the components of current account and capital account and explain how different transactions of foreign trade are taken in debit or credit side. One activity will be done to make learning process more interactive and interesting.(annexure1) Explain the meaning and difference between autonomous and accommodating items with the help of example. Will explain the disequilibrium in balance e of payment. Will explain the formula to calculate capital account balance and current account balance. Will give numerical to do in the class and in home work.	Will participate in the discussion by answering simple questions. Will write the meaning of balance of payment. Will write the difference between balance of payment and balance of trade in tabular form. Students will do the activity in the class. Will write the difference between accommodating and autonomous items in tabular form. Will write the reasons behind disequilibrium. Will calculate current and capital account balance and current account deficit from the questions given .	Observation will be written after completion of the topic.

Teaching Aids : Activeinspire, study material

Methodology/Innovative Methods: Discussion, Recall, Explanation, Question-Answer method, ex. activity

Interdisciplinary Links: Accountancy, business studies, maths

Coordinator

Vice-Principal

Principal

Annexure1

Subject	ECONOMICS
Class	XII
Topic	BALANCE OF PAYMENT
Sub topic	COMPONENTS OF BALANCE OF PAYMENT
Time	2 periods of 40 mts. each
Nature of Activity	Individual

What will I learn (L.O) –

Analyse and classify economic transactions as current account and capital account transactions.

Interpret the Impact of inflow and outflow of foreign exchange on balance of payment.

Skill: Analytical thinking, Ability to differentiate, Ability to classify, ability to interpret.

What I have to do?

Identify components of current account and capital account.

What do I require?

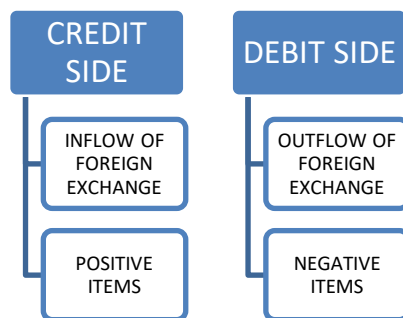
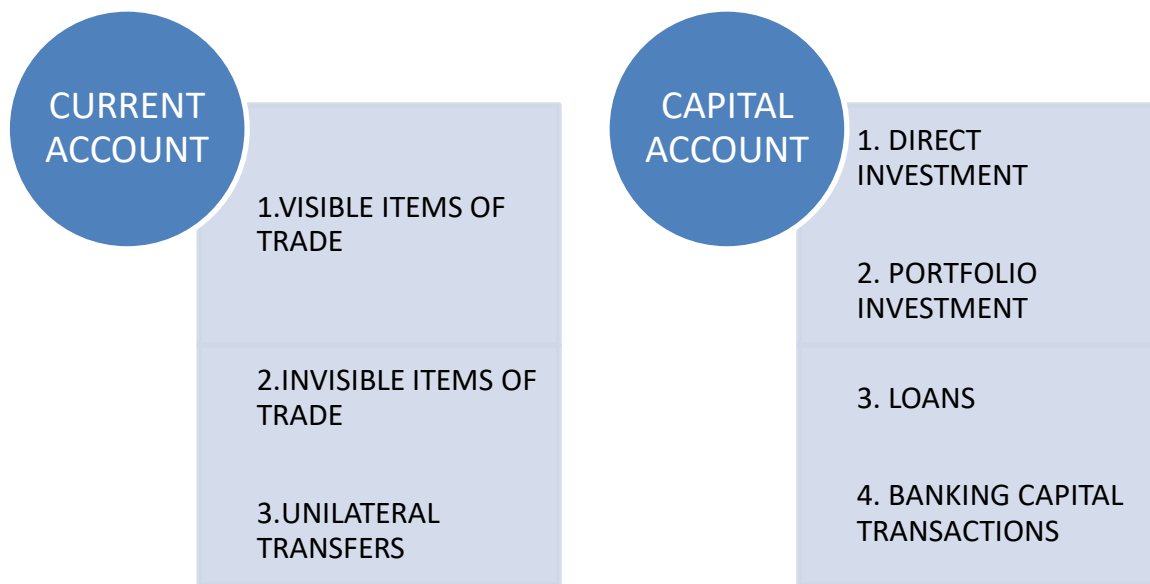
Reading material, NCERT Book, Paper and Pen

What do I need to know?

The structure of balance of payment

Teacher's Activity:

Teacher will provide the structure of balance of payment and explain credit and debit side of BOP.



1. Activity 1: Teacher will make chits of various items of transactions.

2. Brain Storming Activity 2 : Teacher will provide a table showing various items of inflow and outflow of foreign exchange and their values to calculate BOP in accounting sense (total receipts are equal to total payments) and operational sense (current and capital account balance)

Student's Activity 1:

Students will pick up the chits and paste it under the right columns



1. Students will pick one chit from the bowl and analyse it and will describe it as capital or current account and debit or credit item.
2. Will discuss and find the reasoning to include items on credit side or debit side
3. Find the reasons to classify items as capital account or current account items.
- 4 .Analyse the impact of inflow and outflow of foreign exchange on balance of payment.

Brain Storming Activity 2 for students-

1. Students will prepare a balance sheet showing debit and credit items.
2. Will make a table to show payments and receipts.
3. Will use the formula to show current account balance and capital account balance.

What have I observed?

S. NO.	BASIS	CURRENT ACCOUNT	CAPITAL ACCOUNT
1.	Meaning		
2.	Trade of goods is included---	.	
3.	Trade of services is included -		
4	Foreign direct investment--		
5	Borrowing and lending--		

What have I learnt?

Current account signifies that the nation is a borrower from the rest of the world and current account surplus signifies that the nation is a lender to rest of the world.

What am I curious to learn?

How Autonomous and accommodating items are used to maintain balance in balance of payment account of a country ?

Let me evaluate myself.

Do the following—

Q1. What does balance of payment of a country record?

Q2. Give an example of autonomous capital inflow.

Q3. Name the broad categories of transactions recorded in current account of the balance of payment accounts.

Q4. Give meaning of current account deficit and differentiate it from current account surplus.

Q5. Explain the basis of classifying transactions into debit and credit items? Give two examples of each.
