Worksheet: Open Economy Macroeconomics (Balance of Payments & Foreign Exchange)

IB · Class 12 · Economics · 3 questions · 12 marks

Name: _____ Date: _____ Score: _____ / 12

Q1. The exchange rate changes from ₹80/$ to ₹85/$. (i) Has the rupee appreciated or depreciated? (ii) How does this affect Indian software exporters who earn in dollars? (iii) How does this affect Indian families buying an imported iPhone? *[2 marks]*

Q2. Classify each of the following as current account or capital account transactions in India's Balance of Payments: (a) Tata Motors exports cars to the UK; (b) Reliance borrows from a US bank; (c) An NRI in the UAE sends money to his family in Kerala; (d) Apple Inc. builds a manufacturing plant in India; (e) An Indian student pays tuition fees to a US university. *[4 marks]*

Q3. Explain India's Balance of Payments situation. Why does India typically run a current account deficit, and how is it financed? *[6 marks]*