

Examiner:

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The following aids may be used: calculator, dictionary

Examination questions:

1. Important aggregates in national accounting are the domestic income (NDP^f) and the national disposable income ($Y^{nat, dis}$).
 - a) What does the NDP^f measure and how is it related to the $Y^{nat, dis}$?
 - b) Give two examples of transactions that affect the NDP^f but not the $Y^{nat, dis}$?
 - c) Give two examples of transactions that affect the $Y^{nat, dis}$ but not the NDP^f ?

2. National accountants distinguish between stocks and flows.
 - a) Explain the difference between a stock and a flow. Give two examples for a stock and a flow variable.
 - b) For almost each money flow there exists a real flow. Which one of these two kinds of flows is measured by national accountants in order to come up with a number for the value of all transactions in the economy?
 - c) What would be the consequence for the value of all transactions if for a certain *money flow* there is no corresponding *real flow*, and how is this problem dealt with? Give an example for a transaction that involves a money flow but not a real flow.
 - d) What would be the consequence for the value of all transactions if for a certain *real flow* there is no corresponding *money flow*, and how is this problem dealt with? Give an example for a transaction that involves a real flow but not a money flow.
 - e) Explain how the following terms are connected within the national accounting framework:
 - stock at the beginning of the period,
 - accumulation account,
 - balance sheet,
 - flow,
 - stock at the end of the period,
 - change in the value of stocks.

3. The following transactions are observed in Germany:
 - Karstadt (a German department store company) buys designer suits for 70€ from an Italian firm.
 - Karstadt sells sportswear worth 250€ to German households.
 - The German government buys office supplies for 10€ from Karstadt.
 - During the year, the value of public buildings declines by 50€ due to wear and tear.
 - The German government pays wages and salaries to its civil servants (40€).
 - The Austrian government purchases books from Karstadt for 150€.

- Karstadt remits sales tax to the German government (20€).
 - Due to a recession in the consumer goods industry Karstadt receives a subsidy from the German government (30€).
 - German shareholders receive dividends from Renault (a French company) (60€).
 - After a flooding of the inner city of Hamburg the German government receives a donation from the Netherlands (10€).
- a) Set up a simplified Consolidated System of National Accounts for Germany for the transactions above. Specify the kind of transaction (e.g. Ex, Im, etc.) and fill in the corresponding number. Assume that there are no value added taxes and no import taxes. Assume further that no other units (e.g. dealers) are involved in the transactions than those mentioned.
- b) Calculate and interpret the following aggregates: gross domestic product at market prices, disposable national income, net borrowing/net lending abroad.
4. Set up the Balance of Payments for Germany for the transactions below. Make the relevant entries in the merchandise, services, income, transfers, direct investment, long-term capital, short-term capital, and official reserves transaction account.
- A Japanese company sells cars to German households which pay by check (30€).
 - A South African company purchases chemicals from Germany and pays in cash (20€).
 - Germany sells wheat to Poland and agrees that the payment is to be made four month later (50€).
 - A German tourist, who is on a journey through Bulgaria, pays for accommodation using a check (10€).
 - A Russian firm hires a German airline for the transportation of goods to India and pays with a 5-year debenture bond (60€).
 - A Korean firm receives dividends from a firm it previously built in Germany (cash, 40€).
 - An Algerian Immigrant sends a 10-year German savings bond back to his family in Algiers (70€).
 - The Canadian government buys 40% of the shares of a German corporation and pays using a 4-year Canadian savings bond (80€).
 - Germany sends foreign aid in the form of food (worth 90€) to Mozambique.
 - A Swiss investor buys a 5-year treasury bond from a German Bank and pays in cash (100€).
 - A German importer buys Australian Dollars from the European Central Bank using a check (110€).
- a) What is Germany's
- current account balance,
 - capital account balance,
 - official reserves balance,
 - overall balance of payments?
- b) Interpret the balancing items of the current account and the overall balance of payments.