Wilf Csaplar Jr.   Economics 302   Homework #4   **Due Tuesday 10/2**

Place your name on the back of this sheet of paper and nowhere else. Staple your answers face up on the front of this sheet of paper. Failure to follow these directions will cost you 10 points. Your assignment will be typed, except graphs can be drawn by hand and mathematical equations can be done by hand. Failure to type it will cost you 10 points. If you use double-sided printing or print on the back of scrap paper, I will give you one additional point.

1) (5 points) Explain KFA = -CA.

2) (15 points each) For each of the following, do the double entry bookkeeping. Explain how you knew what to put where. Determine what happens to the CA, short-term KFA and long-term KFA for the USA. State how you reached your conclusions.   For all parts of this question, assume you are an American.
A) I recently bought shirts made in Honduras. Pretend I spent $200 on them.
B) You sell $2000 worth of BP stock to a British citizen to help pay for your tuition.
C) A German company pays you $500 to write computer code in R.
D) You pay $1000 rent while doing study abroad in Spain.

3) (20 points) The equation in Question #1 requires statistical discrepancy to be added to the equation. What are three reasons we need that. Explain two of them.

4) (15 points) Draw an S/I diagram for a small country with a KFA surplus. Explain how you know there is a KFA surplus.