

Do not write your name on the assignment. Write your name only on the back of this sheet of paper and staple your answers on the front of this sheet of paper. Failure to follow these directions will cost you 1 point on the assignment.

1) (10 points each) Record the double-entry bookkeeping entries for the following events. Briefly explain why you made each entry.

A) I buy a shirt from Egypt for \$15.

B) The Japanese students pay their \$14,000 tuition to Bethany College.

C) A US citizen gives the Afghan government \$12,000.

D) I buy shares of Shell Oil for \$30,000 from abroad.

E) George W. Bush sells bonds issued by the German government to a German citizen for \$15,000.

F) A Canadian buys a US government bond directly from the US Treasury.

2) (20 points) Find the merchandise trade balance, the services trade balance, the current account balance, and the capital account balance for the combination of the six events in question #1. Show all work.

3) (20 points) Explain why the current account and capital account should balance to zero. Explain why it usually does not for the USA.