

**Course on Balance of Payments and International
Investment Position Statistics
January 19–23, 2015**

Workshop Exercises 1



Balance of Payments Division, Statistics Department

Exercise 1. Residence¹

In some of these questions, additional information may be needed to identify the residence of the person or other entity. If so, please state what additional assumptions are needed to support your conclusion.

- 1a. Mr. A lives in Country A with his family. Each Monday to Friday morning, he walks across the border to Country B where he works as an architect for Enterprise B, and each evening he goes home to his family. Of which country is Mr. A a resident?
- 1b. What if he goes home to his family only at weekends?
- 1c. Mr. A's colleague, Mr. C, is also from Country A and works with Mr. A. Mr. C moved last year to live in Country B, where he has been for eight months. Of which country is Mr. C a resident? Would your answer change if Mr. C moved back to country A after 10 months?
2. Ms. A lives in Country A, where she works for Enterprise A. She moves to work in Country B for a period of two years at a branch office of Enterprise A and is paid directly by Enterprise A. She will then return to Country A, where she expects to receive a substantial promotion within Enterprise A. She cannot imagine any circumstance under which she would remain in Country B for longer than two years. Does her residence change when she moves?
3. Mr. A, a resident of Country A, goes to work in Country B for a period of six months (the length of his contract). Does his country of residence change? While he is working in Country B, he is accepted for university study in Country B for a three-year course that starts in three more months. Does this affect Mr. A's residence for balance of payments statistics purposes? If so, what change should be made? What would be the case if the initial work period was fifteen months? Would your answer be different if Mr. A's education was being funded by a grant from the government of Country B? From his own government? From the government of a third country?
4. Company A, located in Country A, provides a variety of accounting services to firms in Countries B and C, as well as in Country A. It does so by sending its employees to these other countries to work for varying periods of time. Sixty percent of Company A's services are provided to Country B, and 20 percent to each of countries A and C. Of which country is Company A a resident?
5. Individuals from many countries live in the United States and work for the International Monetary Fund. If an individual lives in the United States for three years while working for the IMF, of what country is he/she a resident? Of what country is the IMF a resident?

¹ Reproductions of this material, or any parts of it, should refer to the IMF Statistics Department as the source.

Exercise 1 (continued)

6. What is the residence of Enterprise A in each of the following?:
- 6a. Enterprise A is incorporated in Country A and has its headquarters there. Sixty percent of Enterprise A's shares are owned by Company B, a company wholly owned by residents of Country B. Twenty percent of Enterprise A's shares are owned by the Country A's government and the remaining twenty percent by the private sector in Country A. Enterprise A has no permanent offices outside of Country A, although all of its construction operations take place outside of Country A.
- 6b. Enterprise A installs a prefabricated factory in Country B between February and August. There is no site office and the project was managed from Enterprise A's headquarters in Country A.
- 6c. Enterprise A is building a hotel in Country B. Because this is a large project, expected to be completed in 19 months, Enterprise A sets up a temporary site office in Country B to manage the project. What, if anything, should Country B's balance of payments compilers recognize as resident in Country B?
- 6d. Enterprise A obtains a number of new contracts for work in Country B, and expects that this construction boom will continue for the foreseeable future. The company's management decides to open a permanent office in Country B. It therefore buys land and building in Country B. Does this change the residence of Enterprise A? What would Country B's balance of payments compilers recognize as resident in Country B?
- 6e. Bank C, a bank resident in Country A, wholly owned by residents of Country A, opens an office in Country B. The office's lending operations are predominantly financed from its head office, and only 5 percent of its liabilities are in the form of deposits of Country B residents. What is the type of this institutional unit of the office of Bank C and in which country is it resident?
- 6f. Because of the growth in Country A's business in Country B, the government of Country A decided to expand the diplomatic facilities in Country B. The government of Country A purchased land in Country B and had Enterprise A's permanent office in Country B construct the ambassador's residence, staff housing, and an embassy on this land. What is the residence of Enterprise A now? To which economic territory do this land and the buildings belong? What transactions would be included in the balance of payments statistics of Country A?

Exercise 1 (continued)

7. Company A, located in Country A, is involved in the mining of oil and gas in Country B. Products are refined in Country B and the refined products are sold both in Country B and abroad.

Company A is building a pipeline across Country B that will be used to transport gas from Country A to Country C (through country B). To do this, Company A has set up a temporary site office in Country B to oversee the day-to-day operations of the construction; however payments made to residents of Country B and to other countries relating to the project are made from Company A's head office in Country A. Company A makes payments to the government of Country B for the use of the land. To which country would we allocate the residence of Company A's head office, and Company A's site office?

8. An airline is owned jointly by the governments of country A (30 percent), country B (30 percent), and country C (40 percent). The airline has bases (hangars), including for maintenance, in all three countries. The airline operates as a single unit, and both costs and profits are shared among the three countries in proportion to their ownership. Identify the institutional units and their residence.
9. The headquarters of the currency union central bank for countries A, B, and C is in country A, and there is a national central bank office in each of the member territories. What is the residence of the headquarters? What is the residence of the national central bank offices?
10. In order to encourage investment, Country A has set up a tax-free zone. Nonresidents are invited to set up manufacturing plants under this law, whereby they build their factories, and employ residents of Country A to produce clothing for the export market. Up to ten percent of their output may be sold in Country A; the rest must be exported. In return for setting up in business, they do not have to pay taxes on their profits, and pay import duties only on those components that are inputs into goods sold to Country B. Companies are not permitted to borrow from banks that are resident in Country A. What is the residence of a company operating in this zone?