

1. Balance of payment is an accounting statement that records the economic transactions between

- a) Residents of a country and non-resident individuals
- b) Residents of a country and rest of the world
- c) Non-residents and rest of the world
- d) None of the above

[Answer](#)

2. Economic transactions include, which of the following

- a) Visible items
- b) Invisible items
- c) Unilateral transfers
- d) All of the above

[Answer](#)

3. Resident includes

- a) Individual
- b) Firms
- c) Government agencies
- d) All of the above

[Answer](#)

4. Balance of payment accounting uses which standard of accounting?

- a) Double entry system
- b) Single entry system
- c) Accrual basis system
- d) Cash basis system

[Answer](#)

5. Balance of payment is which of the following concepts ?

- a) Flow
- b) Stock
- c) Both (a) and (b)
- d) None of the above

[Answer](#)

6. Balance of trade is

- a) Difference between export and import of goods.
- b) Sum total of export and import of goods
- c) Difference between export and import of services
- d) Sum total of export and import of services

[Answer](#)

7. What are the components of balance of payment account?

- a) Current account
- b) Capital account
- c) Both (a) and (b)
- d) None of the above

[Answer](#)

8. Balance of trade is also known as

- a) Trade balance
- b) Balance of visible trade
- c) Both (a) and (b)
- d) None of the above

[Answer](#)

Balance of Payment Class 12 MCQ Economics

9. Inflow of foreign exchange is recorded on which side of BOP account?

- a) Credit
- b) Debit
- c) Both (a) and (b)
- d) None of the above

[Answer](#)

10. Which of the following is not a component of BOP?

- a) Current account
- b) Capital account
- c) Real account
- d) None of the above

[Answer](#)

11. Import and export of goods is called

- a) Invisible trade
- b) Visible trade
- c) Nominal trade
- d) None of the above

[Answer](#)

12. Import and export of services is called

- a) Invisible trade
- b) Visible trade
- c) Nominal trade
- d) None of the above

[Answer](#)

13. Gifts and grants received from abroad are recorded on which side of BOP account?

- a) Credit side of current account
- b) Debit side of current account

- c) Credit side of capital account
- d) Debit side of capital account

[Answer](#)

14. Import of machinery and equipment is recorded on which side of BOP account?

- a) Credit side of current account
- b) Debit side of current account
- c) Debit side of capital account
- d) Credit side of capital account

[Answer](#)

15. Borrowings from the rest of the world are recorded on which side of BOP account ?

- a) Credit side of current account
- b) Debit side of current account
- c) Credit side of capital account
- d) Debit side of capital account

[Answer](#)

16. Investments by the Indian residents in shares of foreign companies is recorded on which side of BOP account?

- a) Credit side of current account
- b) Debit side of current account
- c) Credit side of capital account
- d) Debit side of capital account

[Answer](#)

17. Which of the following is not a component of capital account of BOP ?

- a) Borrowings

- b) Investments
- c) Foreign travel tour purchased by an individual resident
- d) Change in foreign reserves

Answer

18. Which of the following is a type of investment ?

- a) Foreign direct investment
- b) Portfolio investment
- c) Foreign institutional investment
- d) All of the above

Answer

Balance of Payment MCQs Class 12 Economics

19. Surplus in current account arises when

- a) Credit side is more than debit side
- b) Debit side is more than credit side
- c) Debit side equals the credit side
- d) None of the above

Answer

20. Deficit in capital account arises when

- a) Credit side is more than debit side
- b) Debit side is more than credit side
- c) Debit side is equals to credit side
- d) None of the above

Answer

21. Which account has a direct impact on the income, output and employment ?

- a) Current account
- b) Capital account
- c) Real account
- d) Nominal account

[Answer](#)

22. Which account does not have a direct impact on income, output and employment?

- a) Current account
- b) Capital account
- c) Nominal account
- d) Real account

[Answer](#)

23. Capital account is which concept?

- a) Stock
- b) Flow
- c) Nominal
- d) None of the above

[Answer](#)

24. Current account is which concept?

- a) Stock
- b) Flow
- c) Real
- d) None of the above

[Answer](#)

Balance of Payment Class 12 MCQ

25. Debit side of capital account constitutes

- a) Capital receipts
- b) Capital payments
- c) Capital balance
- d) None of the above

[Answer](#)

26. Credit side of capital account constitutes

- a) Capital receipts
- b) Capital payments
- c) Capital balance
- d) None of the above

[Answer](#)

27. Credit side of current account constitutes

- a) Current receipts
- b) Current payments
- c) Current balance
- d) None of the above

[Answer](#)

28. Debit side of current account constitutes

- a) Current receipts
- b) Current payments
- c) Current balance
- d) None of the above

[Answer](#)

29. Which transactions are recorded in the balance of account with a profit maximization, motive ?

- a) Autonomous
- b) Accommodating
- c) Compensatory
- d) None of the above

Answer

30. Which transactions are done to cover the surplus or deficit in BOP account ?

- a) Autonomous
- b) Accommodating
- c) Compensatory
- d) None of the above

Answer

31. Which transactions are independent of state of BOP ?

- a) Autonomous
- b) Accommodating
- c) Compensatory
- d) None of the above

Answer

32. Which transactions are dependent of state of BOP ?

- a) Autonomous
- b) Accommodating
- c) Compensatory
- d) None of the above

Answer

33. Which of the following transactions take place on both current and capital account ?

- a) Autonomous
- b) Accommodating
- c) Compensatory
- d) None of the above

Answer

34. Which of the following transactions take place only on capital account ?

- a) Autonomous
- b) Accommodating
- c) Compensatory
- d) None of the above

Answer

35. Which transactions are the transactions by the central bank to maintain the disequilibrium in BOP account?

- a) Autonomous
- b) Accommodating
- c) Official reserves
- d) All of the above

Answer

36. Which transactions are recorded in the balance of account with a profit maximization , motive

- a) Autonomous
- b) Above the Line
- c) Compensatory
- d) Both A and B

Answer

MCQ on Balance of Payment Class 12 Economics

37. _____ is an accounting statement which records all economic transactions between non-resident and domestic territory.

- a) Balance of payment
- b) Balance of Trade
- c) Final accounts
- d) None of these

Answer

38. Visible items includes _____.

- a) Goods and services
- b) Only goods
- c) Only Service
- d) All of these

Answer

39. One-way transactions are a part of _____ account.

- a) Balance of payment
- b) Balance of trade
- c) Both a and b
- d) None of these

Answer

40. BOP is a _____ concept as it is measured over a period.

- a) Vector
- b) Stock
- c) Flow
- d) All of these

Answer

41. Systematic record of all Economic transactions between _____ and rest of the world is called Balance of payment. (Fill in the blank with correct alternative)

- a) Foreign exchange

- b) Residents of developing countries
- c) Residents of a country
- d) None of the above

[Answer](#)

42. Balance of payment is an accounting statement of _____ year. (Fill in the blank with correct alternative)

- a) Accounting year
- b) New year
- c) Business year
- d) All of the above

[Answer](#)

43. Read the following statement given below and choose the correct alternative

Statement 1- The balance of payment account records visible , invisible and Capital transactions

Statement 2- The balance of payment account is based on multiple entry system of accounting

- a) Both are correct
- b) Both are incorrect
- c) Statement 1 correct and statement 2 is incorrect
- d) Statement 1 is incorrect and statement 2 is correct

[Answer](#)

44. Read the following statement given below and choose the correct alternative.

Statement 1- Visible transactions refers to import and export of physical goods.

Statement 2- Invisible transactions refers to import and export of non factor services

- a) Both are correct
- b) Both are incorrect
- c) Statement 1 correct and statement 2 is incorrect
- d) Statement 1 is incorrect and statement 2 is correct

Answer

45. Read the following statement given below and choose the correct alternative

Statement 1- Autonomous items are occurred due to profit

Statement 2- Accommodating items are occurred due to losses

- a) Both are correct
- b) Both are incorrect
- c) Statement 1 is correct and statement 2 is incorrect
- d) Statement 1 is incorrect and statement 2 is correct

Answer

MCQ on Balance of Payment Class 12 Economics

46. Read the following statement given below and choose the correct alternative

Statement 1- Balance of trade is a broad concept

Statement 2- Current account is a narrow concept

- a) Both are correct
- b) Both are incorrect
- c) Statement 1 is correct and statement 2 is incorrect
- d) Statement 1 is incorrect and statement 2 is correct

Answer

47. Read the following statement given below and choose the correct alternative

Statement 1- Deficit in current account can be met by balance of trade

Statement 2 – Deficit in balance of trade can be met by current account

- a) Both are correct
- b) Both are incorrect
- c) Statement 1 is correct and statement 2 is incorrect
- d) Statement 1 is incorrect and statement 2 is correct

Answer

48. Choose the correctly matched pair from the following

Column A	Column B
A. Sum of credit is equals to	1. Accommodating items
B. Unilateral transactions	2. Transfer receipts
C. Autonomous items	3. Sum of debit
D. Change in foreign exchange reserves with government	4. Transactions above the line

- a) A-1
- b) B-2
- c) C-3
- d) D-4

Answer

49. Choose the correctly matched pair from the following

Column A	Column B
A. Balance of trade	1. Transactions don't affect output
B. Current account	2. Narrow concept

C. Balance of payment	3. Always remains in balance
D. Capital account	4. Transactions are flow in nature

- a) A-2
- b) B-3
- c) C-1
- d) D-4

Answer

50. Choose the correctly matched pair from the following

Column A	Column B
A. Change in foreign exchange reserve with government	1. Capital account
B. Borrowing from and to abroad	2. Current account
C. Visible transaction	3. Capital account
D. Invisible transactions	4. Capital account

- a) A-1
- b) B-2
- c) C-3
- d) D-4

Answer

51. Choose the correctly matched pair from the following

Column A	Column B
A. Systematic record of all Economic transactions	1. Balance of payment
B. Systematic record of all Visible transactions	2. Capital account
C. Records Visible and invisible transactions	3. Balance of trade
D. Short term transactions	4. Current account

- a) A-1
- b) B-2
- c) C-3
- d) D-4

[Answer](#)

52. Choose the correctly matched pair from the following

Column A	Column B
A. Disequilibrium in BOP	1. Autonomous and accommodating
B. Items in BOP	2. Accommodating items
C. Maintain balance in BOP	3. Depends on autonomous items
D. Outflow of FE > Inflow of FE	4. Deficit in BOP

- a) A-1
- b) B-2
- c) C-3
- d) D-4

[Answer](#)

MCQ on Balance of Payment Class 12 Economics

53. "When we say, current account is in balance", what can be the possible reasons for it

- a) Receipts and payments on current account are equal
- b) Receipts and payments on capital account are equal
- c) Receipts are more than payment in capital account
- d) Receipts are less than payment on current account

[Answer](#)

54. "Current account is in surplus" because,

- a) Receipts on current account are less than payment on current account
- b) Value of exports of goods and services is more than the value of import of goods and services
- c) Receipts on capital account are more than payment on capital account
- d) Receipts on current account are less than payment on capital account

[Answer](#)

55. "Current account deficit is unfavourable for the country" because,

- a) It signifies that the nation is a borrower from rest of the world
- b) It reflects that the country does not have enough foreign exchange to finance its international payment
- c) It has demerits for the country
- d) Both (a) and (b)

[Answer](#)

56. "BOP is always balanced in accounting sense" because,
- a) It occurs when autonomous payment exceeds autonomous receipt
 - b) Any surplus in the current account is balanced by an equal amount of deficit in capital account and vice versa
 - c) Due to the increased number of receipts in autonomous items
 - d) Government intervention to balance BOP

[Answer](#)

57. "Interest on the deposit from a foreign bank is recorded in the current account". Choose the correct reason.
- a) It is visible good
 - b) It is invisible service
 - c) Income from abroad
 - d) It is a transfer receipt

[Answer](#)

58. Read the following statement given below and choose the correct alternative
- Assertion (A)- Decrease in financial assets of the government is recorded on the credit side
- Reason (R)- Government withdraws from foreign exchange reserves to use it in their country
- a) Both assertion and reason are true. Reason is the correct explanation of assertion
 - b) Both assertion and reason are true. Reason is not the correct explanation of assertion
 - c) Assertion is true but reason is not
 - d) Reason is true but assertion is not

[Answer](#)

59. Read the following statement given below and choose the correct alternative
- Assertion (A)- Transactions in the current account do not affect assets and

liabilities but affect output , employment and income levels of economy

Reason (R) - All transactions in the current account are short term transactions

- a) Both assertion and reason are true. Reason is the correct explanation of assertion
- b) Both assertion and reason are true. Reason is not the correct explanation of assertion
- c) Assertion is true but reason is not
- d) Reason is true but assertion is not

[Answer](#)

60. Read the following statement given below and choose the correct alternative

Assertion (A) – Unilateral transactions are an example of current account component

Reason (R)- Capital account is recurring in nature.

- a) Both assertion and reason are true. Reason is the correct explanation of assertion
- b) Both assertion and reason are true. Reason is not the correct explanation of assertion
- c) Assertion is true but reason is not
- d) Reason is true but assertion is not

[Answer](#)

MCQ on Balance of Payment Class 12 Economics

61. Balance of payment records all economic transactions leading to _____ during an accounting year. (Fill in the blank with correct option)

- a) Outflow of foreign exchange
- b) Visible transaction
- c) Flow of foreign exchange
- d) Capital transactions

[Answer](#)

62. Read the following statement given below and choose the correct alternative

Statement 1- Any transaction which leads to inflow of foreign exchange is recorded on the left side

Statement 2- Any transaction which leads to outflow of foreign exchange is recorded on the right side

- a) Both are correct
- b) Both are incorrect
- c) Statement 1 is correct and statement 2 is incorrect
- d) Statement 1 is incorrect and statement 2 is correct

Answer

63. Choose the correctly matched pair from the following

Column A	Column B
A. Double entry system of accounting	1. Current and capital account
B. Visible transaction	2. Sum of credit equals to sum of debit
C. Invisible transactions	3. Export and import of services
D. Types of BOP account	4. Export and import of physical goods

- a) A-1
- b) B-2
- c) C-3
- d) D-4

Answer

64. Which of the following statement is incorrect

- a) Current transactions affect output employment and income levels of economy

- b) Capital transactions doesn't affect assets and liabilities
- c) Current transactions do not affect assets and liabilities
- d) Capital transactions do not affect output employment and income levels of economy

Answer

65. Read the following statement given below and choose the correct alternative

Assertion (A)- When Indian residents receives unilateral items it is recorded in credit

Reason (R)- Indian residents receiving unilateral items leads to inflow of foreign exchange

- a) Both assertion and reason are true. Reason is the correct explanation of assertion
- b) Both assertion and reason are true. Reason is not the correct explanation of assertion
- c) Assertion is true but reason is not
- d) Reason is true but assertion is not

Answer

Read the Case study given below and answer the following questions.

Current Account – The current record is fundamentally a record of fare and import of labor and products.

Capital Account – The Capital Account is a record of all such exchanges between ordinary occupants of a nation and the remainder of the world which incorporates deal and acquisition of unfamiliar resources and liabilities during a given bookkeeping year.

Balance of trade – Balance of exchange can be characterized as the net distinction of import and fare of things between the occupants of a nation and the remainder of the world.

Autonomous items – Can be characterized as those things of equilibrium of installment which are identified with such exchanges that are controlled by the thought process of benefit amplification and not to keep up with balance in equilibrium of installments. These things are recorded as the primary things prior to working out the shortfall or surplus yet to be determined of installment

a/c. These things are otherwise called 'Over the Line things' in equilibrium of installment.

Accommodating items – Accommodating things incorporate those exchanges that occur because of other movement in equilibrium of installment. Otherwise called 'Beneath the Line things' in equilibrium of installment.

66. _____ is basically a record of exports and imports of goods and services. (Fill in the blank with correct alternative)

- a) Capital account
- b) Current account
- c) Accommodating transactions
- d) Autonomous transactions

[Answer](#)

67. Read the following statement given below and choose the correct alternative

Statement 1- Accommodating items are called above the line items

Statement 2- Autonomous items are called above the line items

- a) Both are correct
- b) Both are incorrect
- c) Statement 1 is correct and statement 2 is incorrect
- d) Statement 1 is incorrect and statement 2 is correct

[Answer](#)

68. Transactions that are determined by the motive of profit maximization are called (Choose the correct alternative)

- a) Autonomous items
- b) Accommodating items
- c) Both (a) and (b)
- d) None of the above

[Answer](#)

69. _____ is defines as the net difference of imports and exports of goods
- a) Balance of payment
 - b) Accommodating items
 - c) Balance of trade
 - d) All of the above

Answer

70. Sale and purchase of foreign assets and liabilities during a given accounting year comes under;(choose the correct alternative)
- a) Current account
 - b) Capital account
 - c) Balance of trade
 - d) Balance of payment

Answer
