

## 12th Economics Lesson 2 Questions in English

### 2] National Income

1. Who introduced the concept of national income?
  - a) Samuelson
  - b) Simon Kuznets
  - c) Alfred Marshall
  - d) Adam Smith
2. Which of the following statement is correct?
  - 1) National Income denotes the country's purchasing power
  - 2) National income serves as an instrument of economic planning
  - 3) Further, national income is one of the most significant macroeconomic variables
  - a) 1, 2
  - b) 1, 3
  - c) 2, 3
  - d) All the above
3. What is the particular period of time for National Income?
  - a) 3 months
  - b) 6 months
  - c) 9 months
  - d) 1 year
4. "The concept of national income is an indispensable preparation for tackling the great issues of unemployment, inflation and growth" Who stated the above statement?
  - a) Samuelson
  - b) Simon Kuznets
  - c) Alfred Marshall
  - d) Adam Smith
5. Which of the following are some of the concepts used in measuring national income?
  - 1) GDP
  - 2) Disposable Income
  - 3) GDP deflator
  - 4) NNP at factor cost
  - a) 1, 2, 3
  - b) 1, 3, 4
  - c) 2, 3, 4
  - d) All the above
6. \_\_\_\_ is the total market value of final goods and services produced within the country during a year.
  - a) GDP
  - b) NNP
  - c) GDP deflator
  - d) GNP
7. What is the formula to calculate GDP by expenditure method at market prices?
  - a)  $C + I + G$
  - b)  $C + I + G + (X - M)$
  - c)  $(C + I + G + (X - M) + (R - P))$
  - d)  $C + I$
8. \_\_\_\_ is the value of net output of the economy during the year
  - a) GNP
  - b) NNP
  - c) GDP
  - d) NDP
9. What is the formula to calculate GNP?
  - a)  $C + I + G$
  - b)  $C + I + G + (X - M)$
  - c)  $(C + I + G + (X - M) + (R - P))$
  - d)  $C + I$
10. Which of the following statement about GNP is correct?
  - 1) GNP is the total measure of the flow of final goods and services at market value resulting from current production in a country during a year excluding net income from abroad
  - 2) (R-P) is the Net factor incomes from abroad which refers to the difference between factor incomes received from abroad by normal residents of India and factor incomes paid to the foreign residents for factor services rendered by them in the domestic territory in India

- 3) Goods and services produced or purchased by the government which is denoted by (X-M)
- 1, 2
  - 1, 3
  - 2, 3
  - All the above
11. Which refers to the value of the net output of the economy during the year?
- NNP
  - GDP
  - NDP
  - Personal income
12. Which of the following statement is correct?
- 1) NNP at factor cost = NNP at Market prices – direct taxes + Subsidies
  - 2) NNP refers to the market value of output.
  - 3) NNP at factor cost is the total of income payment made to factors of production
- 1, 2
  - 1, 3
  - 2, 3
  - All the above
13. Which of the following statement is correct?
- 1) Personal income is the total income received by the individuals of a country from all sources after payment of direct taxes in a year.
  - 2) Personal income is never equal to the national income, because the former includes the transfer payments whereas they are not included in national income.
  - 3) Personal Income = National Income – (Social Security Contribution and undistributed corporate profits) + Transfer payments
- 1, 2
  - 1, 3
  - 2, 3
  - All the above
14. Assertion (A): Disposable Income is the amount available for households for consumption.  
Reason(R): It is the income of individuals after the payment of income tax
- Both (A) and (R) are correct, but (R) does not explain (A)
  - Both (A) and (R) are wrong
  - Both (A) and (R) are correct and (R) explains (A)
  - (A) is Correct and (R) is wrong
15. What is the formula to calculate Per Capita Income?
- National Income/ Population
  - Population/ National Income
  - (GDP – Depreciation)/ Population
  - Population/ (GDP – Depreciation)
16. \_\_\_\_\_ is national income expressed in terms of a general price level of a particular year
- Personal income
  - Nominal income
  - Net national income
  - All the above
17. What is the way to calculate National Income at constant price?
- National Income at current price  $\div$  P0 / P1
  - National Income at current price  $\div$  P1 / P0
  - (National Income at current price/ National Income at Previous year price) X P1 / P0
  - (National Income at Previous year price /National Income at current price) X P1 / P0
18. What is the formula to calculate GDP deflator?
- (Nominal GDP/ Real GDP) x 100
  - (Real GDP/ Nominal GDP) x 100
  - (Nominal GDP- Real GDP) x 100
  - (Real GDP- Nominal GDP) x 100
19. Which of the following statement is correct?
- 1) All goods and services produced in the country must be counted and converted against money value during a year
  - 2) Thus, whatever is produced is either used for consumption or for saving.
  - 3) National output can be computed at any of three levels, viz., production, income and expenditure
- 1, 2

- b) 1, 3  
 c) 2, 3  
 d) All the above
20. Which of the following equation must hold good for all production, income and expenditure method to be correct?  
 a) Output = Income + Expenditure  
 b) Output = Income = Expenditure  
 c) Output = Income – Expenditure  
 d) Output = Income x Expenditure
21. Which of the following should be negative in calculation of GDP expenditure method?  
 a) Consumption  
 b) Change in value of stocks  
 c) Government spending  
 d) Imports
22. In which of the following method Rent income from the ownership of land is added?  
 a) GDP (Expenditure)  
 b) GDP (Factor Incomes)  
 c) GDP (Value of Output)  
 d) All the above
23. Which of the following sectors are used in value added method?  
 1) Primary  
 2) Secondary  
 3) Manufacturing  
 4) Quaternary  
 a) 1, 2, 3  
 b) 1, 3, 4  
 c) 2, 3, 4  
 d) All the above
24. Which of the following statement is correct?  
 1) Product method measures the output of the country  
 2) The value obtained is actually the GDP at market prices.  
 3) It is also called inventory method.  
 a) 1, 2  
 b) 1, 3  
 c) 2, 3  
 d) All the above
25. How many agricultural commodities in India are estimated by product method?  
 a) 100  
 b) 95  
 c) 64  
 d) 50
26. Which of the following statement is correct?  
 1) The gross values of the output of animal husbandry, forestry, fishery, mining and factory establishments are obtained by multiplying their estimates of total production with market prices.  
 2) Net value of the output in these sectors is derived by making deductions for cost of materials used in the process of production and depreciation allowances, etc. from gross value of output  
 a) 1 alone  
 b) 2 alone  
 c) 1, 2  
 d) None
27. Product method of national income calculation is suitable for \_\_\_\_\_ countries  
 a) Developed  
 b) Developing  
 c) Underdeveloped  
 d) All the above
28. What should be done as a precaution in Product method of national income calculation?  
 1) Double counting should be avoided  
 2) Value of output used for self-consumption should be counted  
 3) Sale and purchase of second hand goods should not be included  
 a) 1, 2  
 b) 1, 3  
 c) 2, 3  
 d) All the above
29. Match the following:  
 I. Labour income - 1. Farming  
 II. Capital income - 2. Dividend  
 III. Mixed income - 3. Fringe benefits

- a) 3, 1, 2  
 b) 2, 1, 3  
 c) 3, 2, 1  
 d) 2, 3, 1
30. What does (R-P) indicate in National income calculation by income method?  
 $Y = w + r + i + \pi + (R-P)$   
 a) Profits  
 b) Wages  
 c) Rent  
 d) Exports – imports
31. What precaution should be taken for national income calculation by income method?  
 1) Transfer payments are not to be included in estimation of national income as these payments are not received for any services provided in the current year such as pension, social insurance etc.  
 2) Windfall gains such as lotteries should be included as they represent receipts from current productive activity.  
 3) Corporate profit tax should not be separately included as it has been already included as a part of company profit  
 a) 1, 2  
 b) 1, 3  
 c) 2, 3  
 d) All the above
32. Which of the following statement about Outlay method is incorrect?  
 1) Under this method, the total expenditure incurred by the society in a particular year is added together.  
 2) To calculate the expenditure of a society, it includes personal consumption expenditure, net domestic investment, etc.  
 a) 1 alone  
 b) 2 alone  
 c) 1, 2  
 d) None
33. Which of the following equation explains Outlay method?  
 a)  $C + I + G + (X-M)$   
 b)  $C + I + G$   
 c)  $C + I + G + X+M$   
 d)  $C + X + M$
34. Which of the following are considered as double counting in agricultural and textile industry?  
 1) Seeds  
 2) Fertilizers  
 3) Yarn  
 a) 1, 2  
 b) 1, 3  
 c) 2, 3  
 d) All the above
35. Which of the following are factors of production?  
 1) Land  
 2) Labour  
 3) Entrepreneurship  
 a) 1, 2  
 b) 1, 3  
 c) 2, 3  
 d) All the above
36. Which of the following statement is correct?  
 1) Producers of goods and services incur a cost for using these factors of production  
 2) These costs are not added onto the price of the product.  
 3) The factor cost refers to the cost of production that is incurred by a firm when producing goods and services  
 a) 1, 2  
 b) 1, 3  
 c) 2, 3  
 d) All the above
37. Which of the following are factors of production?  
 1) Salaries  
 2) Cost of obtaining capital  
 3) Profit margins  
 a) 1, 2  
 b) 1, 3  
 c) 2, 3

- d) All the above
38. Which of the following statement is correct?
- 1) Taxes charged by the government will be added onto the factor price while subsidies provided will also be added
  - 2) Once goods and services are produced, they are sold in a market place at a set market price
  - 3) The market price is the price that consumers will pay for the product when they purchase it from the sellers
- a) 1, 2
  - b) 1, 3
  - c) 2, 3
  - d) All the above
39. What is the formula to calculate market price?
- a)  $MP = FC + \text{Indirect Taxes} - \text{Subsidies}$
  - b)  $MP = FC - \text{Indirect Taxes} - \text{Subsidies}$
  - c)  $MP = FC + \text{Indirect Taxes} + \text{Subsidies}$
  - d)  $MP = FC - \text{Indirect Taxes} + \text{Subsidies}$
40. What is the equation to calculate Net Indirect Taxes?
- a) Indirect tax – Subsidies
  - b) Indirect tax + Subsidies
  - c) Direct tax – Subsidies
  - d) Direct tax + Subsidies
41. What is the equation to calculate Gross Value Added in calculation of National Income?
- a) Value of Output + Intermediate Consumption
  - b) Value of Output – Intermediate Consumption
  - c) Closing Stock – Opening Stock
  - d) Sales + Change in Stock
42. Which of the following is known as accounts of the economy?
- a) NNP
  - b) National income
  - c) Factor cost
  - d) All the above
43. In which of the following ways National Income Analysis is useful?
- 1) To formulate the national policies such as monetary policy, fiscal policy and other policies
  - 2) To formulate planning and evaluate plan progress
  - 3) To know the relative importance of the various sectors of the economy and their contribution towards national income; from the calculation of national income, we could find how income is produced, how it is distributed, how much is spent, saved or taxed
- a) 1, 2
  - b) 1, 3
  - c) 2, 3
  - d) All the above
44. Which of the following statement is correct about importance of National income analysis?
- 1) To arrive at many Macro Economic variables namely, Tax – GDP ratio, Current Account Deficit - GDP ratio, Fiscal Deficit - GDP ratio, Debt - GDP ratio etc
  - 2) To know a country's per capita income
  - 3) To know the distribution of income for various factors of production in the country
- a) 1, 2
  - b) 1, 3
  - c) 2, 3
  - d) All the above
45. Assertion (A): In India, a special conceptual problem is posed by barter system still prevails for transacting goods and services.  
Reason(R): A proper valuation of output is very difficult in this method
- a) Both (A) and (R) are correct, but (R) does not explain (A)
  - b) Both (A) and (R) are wrong
  - c) Both (A) and (R) are correct and (R) explains (A)
  - d) (A) is Correct and (R) is wrong
46. Which of the following Difficulties in Measuring National Income?
- 1) Transfer payments
  - 2) Income from illegal activities
  - 3) Paid services
  - 4) Capital Gains

a) 1, 2, 3

b) 1, 2, 4

c) 2, 3, 4

d) All the above

47. Which of the following government expenditure are not included in the national income?

1) Pensions

2) Unemployment allowance

3) Subsidies

a) 1, 2

b) 1, 3

c) 2, 3

d) All the above

48. Assertion (A): During a year, Interest on national debt is also considered transfer payments

Reason(R): It is paid by the government to individuals and firms on their past savings without any productive work.

a) Both (A) and (R) are correct, but (R) does not explain (A)

b) Both (A) and (R) are wrong

c) Both (A) and (R) are correct and (R) explains (A)

d) (A) is Correct and (R) is wrong

49. Deduction of which of the following from National income is not an easy task?

1) Depreciation allowances

2) Pension

3) Accidental damages

a) 1, 2

b) 1, 3

c) 2, 3

d) All the above

50. Which of the following statement is correct?

1) A housewife renders a number of useful services like preparation of meals, serving, tailoring, mending, washing, cleaning, bringing up children, etc

2) The Reason for the exclusion of her services from national income is that the love and

affection of a housewife in performing her domestic work cannot be measured in monetary terms.

3) Similarly, there are a number of goods and services which are difficult to be assessed in money terms for the Reason stated above, such as rendering services to their friends, painting, singing, dancing, etc.

a) 1, 2

b) 1, 3

c) 2, 3

d) All the above

51. Assertion (A): Income earned through illegal activities like gambling, smuggling, illicit extraction of liquor is not included in national income

Reason(R): Such activities have value and satisfy the wants of the people but they are not considered as productive from the point of view of society.

a) Both (A) and (R) are correct, but (R) does not explain (A)

b) Both (A) and (R) are wrong

c) Both (A) and (R) are correct and (R) explains (A)

d) (A) is Correct and (R) is wrong

52. Which of the following statement is correct?

1) National income by product method is measured by the value of final goods and services at current market prices

2) But prices do not remain stable.

3) They rise or fall. To solve this problem, economists calculate the real national income at a constant price level by the consumer price index.

a) 1, 2

b) 1, 3

c) 2, 3

d) All the above

53. Which of the following are excluded from National income?

a) Industries

b) Agriculture

- c) Service  
d) Capital gains
54. Assertion (A): Statistical data may not be perfectly reliable, when they are compiled from numerous sources  
Reason(R): Great care is required to avoid double counting in calculation of national income  
a) Both (A) and (R) are correct, but (R) does not explain (A)  
b) Both (A) and (R) are wrong  
c) Both (A) and (R) are correct and (R) explains (A)  
d) (A) is Correct and (R) is wrong
55. Which of the following are statistical problems in national income calculation?  
1) In animal husbandry, there are no authentic production data available.  
2) Different languages, customs, etc., also create problems in computing estimates  
3) Most of the statistical staff are untrained and inefficient.  
a) 1, 2  
b) 1, 3  
c) 2, 3  
d) All the above
56. How percent Marginal error will be there in national income calculation?  
a) 2 %  
b) 10 %  
c) 15 %  
d) 5 %
57. Which of the following statement is correct?  
1) National income is also being measured by the social accounting method  
2) The social accounting framework is useful for economists as well as policy makers, because it represents the major economic flows and statistical relationships among various sectors of the economic system  
3) Under this method, the transactions among various sectors such as firms, households, government, etc., are recorded and their interrelationships traced
- a) 1, 2  
b) 1, 3  
c) 2, 3  
d) All the above
58. In Social Accounting economy is divided into how many sectors?  
a) 3  
b) 5  
c) 2  
d) 4
59. Which of the following statement is correct?  
1) "Firms" undertake productive activities  
2) "Households" are consuming entities and represent the factors of production, who receive payment for services rendered by them to firms  
3) "Firms" are all organizations which employ the factors of production to produce goods and services  
a) 1, 2  
b) 1, 3  
c) 2, 3  
d) All the above
60. Who defined government as a collective 'person' that purchases goods and services from firms?  
a) Adam Smith  
b) J.M. Keynes  
c) Edey and Peacock  
d) J. M. Llyod
61. Which of the following statement is correct?  
1) "Capital sector" refers to saving and investment activities  
2) These are included under "Firms"  
3) It includes the transactions of banks, insurance corporations, financial houses, and other agencies of the money market.  
a) 1, 2  
b) 1, 3  
c) 2, 3  
d) All the above
62. While assessing sectoral contribution to GDP, the economy is divided into \_\_\_\_  
a) 5  
b) 3  
c) 2  
d) 6

63. Which of the following statement is correct?
- 1) National Income is considered as an indicator of the economic wellbeing of a country
  - 2) A country with a higher per capita income is supposed to enjoy greater economic welfare with a higher standard of living
  - 3) The per capita income as an index of economic welfare suffers from limitations
- a) 1, 2
  - b) 1, 3
  - c) 2, 3
  - d) All the above
64. What is considered a better indicator of economic welfare?
- a) Physical Quality of Life Index
  - b) Gross National Happiness Index
  - c) GDP
  - d) Per capita income
65. Assertion (A): For achieving higher GDP, larger natural resources are being depleted or damaged
- Reason(R): It is suggested that while assessing national income, loss of natural resources should be subtracted from national income.
- a) Both (A) and (R) are correct, but (R) does not explain (A)
  - b) Both (A) and (R) are wrong
  - c) Both (A) and (R) are correct and (R) explains (A)
  - d) (A) is Correct and (R) is wrong
66. Which of the following statement is correct?
- 1) When Indian national income is expressed in terms of US\$, the former looks very low
  - 2) If Purchasing Power Parity (PPP) method is adopted India looks better.
  - 3) While producing economic goods, many environmental and social bads are also generated.
- a) 1, 2
  - b) 1, 3
  - c) 2, 3
  - d) All the above