

# National Income Accounting

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1. National Income ordinarily means
  - A. gross national product at market prices
  - B. net national product at market prices
  - C. gross national product at factor cost
  - D. net national product at factor cost
2. "National income as the aggregate net product of, and the sole source of, payment for all the agents of production" has been defined by
  - A. A.C. Pigou
  - B. Alfred Marshall
  - C. Robbins
  - D. Dusen bery
3. The difference between gross domestic product and net domestic product equals
  - A. transfer payments
  - B. depreciation cost
  - C. indirect taxes
  - D. subsidies
4. "The labour and capital of a country, acting upon its natural resources, produce annually a certain net aggregate of commodities, material and immaterial, including services of all kinds". This definition of National Income is given by
  - A. Adam Smith
  - B. Lionel Robbins
  - C. John Stuart Mill
  - D. Alfred Marshall
5. The total income earned in any given year by the owners of productive resources is measured by
  - A. personal income
  - B. disposable income
  - C. gross national product
  - D. national income
6. In calculating a country's GNP at market prices one of the following is not included
  - A. wages and salaries before tax
  - B. indirect taxes
  - C. bonus to the employees
  - D. depreciation allowances
7. While calculating personal income, we have to deduct the following from private income—
  - A. saving of private corporate sector and corporation tax
  - B. consumption of fixed capital
  - C. direct taxes paid by households
  - D. all of the above
8. "National dividend is that part of objective income of the community, including of course the income derived from abroad which can be measured in money." This is the remark of
  - A. Alfred Marshall
  - B. J.R. Hicks
  - C. David Ricardo
  - D. A.C. Pigou
9. The best method of computing national income is
  - A. Product Method
  - B. Income Method
  - C. Expenditure Method
  - D. Combination of income and production method
10. Which of the following is not, by definition, equal to National Income?
  - A. National output
  - B. National expenditure
  - C. National product
  - D. National wealth
11. An example of double counting in national income would be
  - A. wages of bus and train drivers
  - B. cotton output and cotton cloth output
  - C. electricity ouput and water output
  - D. tax receipts and earnings of inland revenue officials
12. Which of the following is a transfer payment?
  - A. payment made to housewife
  - B. pocket allowance to children
  - C. maintenance allowance to old parents
  - D. all of the above
13. If GNP is 16% higher than the last year's and the rate of inflation is 9%, production in the economy has grown by
  - A. 4%
  - B. 5%
  - C. 6%
  - D. 7%
14. Among these statements which one clearly explains the meaning of 'Subsidies'
  - A. Payment of Government for purchase of goods and services
  - B. Payment by business enterprises to factors of production
  - C. Payment by companies to shareholders
  - D. Payments by Government to business enterprises without buying any goods and services
15. The difference between Gross National Product and Gross Domestic Product is equal to
  - A. Gross Domestic Investment

- B. Net Foreign Investment
- C. Net Imports
- D. Net Factor Income from abroad

16. Net domestic product at factor cost equals net domestic product at market prices
  - A. plus subsidies minus indirect taxes
  - B. minus subsidies + indirect taxes
  - C. minus subsidies
  - D. plus indirect taxes
17. When gross investment is positive, net investment
  - A. is the highest
  - B. is zero
  - C. is positive
  - D. can be either positive or negative
18. National product is not affected by which of the following?
  - A. Sale of a second hand automobile by A to B
  - B. Sale of a new car by an automobile dealer
  - C. Sale of a new car by an automobile company
  - D. Sale of a new car on hire purchase
19. Net foreign investment is equal to
  - A. total amount of foreign investment in a country
  - B. investment by foreigners during a particular year
  - C. investment by local resident in a foreign country
  - D. investment by the foreigners in this country minus investment by residents of this country in foreign countries during a given time period.
20. "Disposable income" does not include
  - A. business transfer payments
  - B. social security benefits
  - C. corporate dividends
  - D. personal income taxes
21. Circular flow of income in a two sector model implies
  - A. payments from households to firms and back again
  - B. payments from firms to firms
  - C. payments from households to house holds
  - D. payments from households to firms
22. Which one of the following is not a Transfer Payment in National Income accounting?
  - A. Interest on government bonds held by Indians
  - B. Drought relief payments
  - C. Unemployment benefits
  - D. Salaries of Supreme Court Judges
23. Which of the following would be included in calculation of national income?
  1. Commission paid to a salesman
  2. Subsidies paid to a farmer
  3. Social Security payments
  4. Payments to a part time polytechnic lecturer

Select the correct answer using codes given below:

- A. 1, 3 and 4                      B. 1 and 4
- C. 2, 3 and 4                      D. 1, 2, 3 and 4

24. Which one of the following is not included in calculating gross national product of an economy?
  - A. Wages and Salaries before tax
  - B. Depreciation allowances
  - C. Indirect taxes
  - D. Subsidies
25. The consolidated government budget differs from the union budget by
  - A. imports
  - B. state and local government expenditure
  - C. union tax receipts
  - D. intergovernmental transfers
26. Which of the following is not an investment expenditure?
  - A. The purchase of a new house
  - B. Expenditures on producers durable equipment
  - C. An increase in business inventories
  - D. Expansion of the main plant of a company
  - E. None of the above
27. Which one of the following is a transfer income?
  - A. The salary of a M.P.
  - B. Company dividends to share holders
  - C. Rents from house property
  - D. Unemployment allowance
28. For the study of the long term growth of the economy we use
  - A. real GNP                      B. transfer payment
  - C. per capita income              D. disposbale income
29. Interest on the national debt is included in
  - A. NNP                              B. GNP
  - C. Personal Income              D. National Income
30. Double counting has the effect of
  - A. underestimating national product
  - B. overestimating national product
  - C. distorting national product
  - D. misleading conclusions about national income
31. The smallest national income accounting aggregate is usually
  - A. PI                                  B. GNP
  - C. DPI                                D. NI
32. The Government sector's contribution to GNP is measured by
  - A. government purchases of goods and services
  - B. wages and salaries and supplements as paid by the government
  - C. intergovernmental surplus
  - D. the size of the government surplus

33. Depreciation means  
 A. destruction of a plant in a fire accident  
 B. loss of equipment over time due to wear and tear  
 C. closure of the plant due to raw material problem  
 D. closure of the plant due to lockout
34. Which of the following is not a method of estimating GNP?  
 A. The value added approach  
 B. Product approach  
 C. Income approach  
 D. The financial approach
35. Depreciation is loss of value of  
 A. capital assets  
 B. stocks  
 C. intermediate goods  
 D. final goods
36. GNP is ₹ 600 crore and NNP is ₹ 4.75 crore; therefore depreciation is  
 A. ₹ 100 crore                      B. ₹ 175 crore  
 C. ₹ 50 crore                        D. ₹ 125 crore
37. Which of the following is not true?  
 A.  $GNP - \text{depreciation} = NNP$   
 B.  $GNP = GDP + \text{Net income from foreign assets}$   
 C.  $NNP_{FC} = NNP_{MP} + \text{Subsidies} - \text{Indirect taxes}$   
 D.  $GNP = NNP - \text{depreciation allowance}$
38. NNP at market prices and NNP at factor costs will be equal when there is  
 A. no direct tax  
 B. no indirect tax  
 C. no subsidy  
 D. no indirect tax and no subsidy
39. Gross national product is equal to  
 A. total output of goods and services in a year  
 B. total output minus intermediate consumption  
 C. total output minus savings  
 D. total output plus total factor payments
40. In a closed economy model one of the sectors below is not to be considered. Which?  
 A. Households                      B. Firms  
 C. Government                      D. Foreign trade
41. National product at market prices is higher than national product at factor cost by the amount of  
 A. subsidies  
 B. indirect taxes  
 C. indirect taxes plus subsidies  
 D. indirect taxes minus subsidies
42. Which of the following formula could be used for calculating the per capita income of a country?  
 A.  $\frac{\text{Total family income}}{\text{Number of family members}}$   
 B.  $\frac{\text{National Income}}{\text{Total population}}$   
 C.  $\frac{\text{Total Income of various industries}}{\text{Total number of industrial workers}}$   
 D.  $\frac{\text{Total government revenue}}{\text{Total population}}$
43. Income per capita increases when  
 A. GNP increases at the same rate as population  
 B. GNP increases slower than population  
 C. GNP increases faster than population  
 D. GNP does not increase and population increases slowly
44. This year, if national product at factor cost is ₹ 600 crore, indirect taxes ₹ 200 crore and subsidies ₹ 75 crore, national product at market prices is  
 A. ₹ 750 crore                      B. ₹ 725 crore  
 C. ₹ 500 crore                        D. ₹ 250 crore
45. Which one of the following measures does not include final goods and services  
 A. GNP  
 B. NNP  
 C. Disposable income  
 D. National income  
 E. None of the above
46. Imports into a country generate income for  
 A. domestic manufacturers  
 B. government  
 C. traders  
 D. foreign products
47. When less output is consumed than produced during a given income period, national wealth  
 A. increases  
 B. remains unchanged as there is no relationship  
 C. decreases  
 D. may increase or decrease
48. Which of the following Indian economists scientifically estimated the national income of India?  
 A. Dadabhai Naoroji    B. Dr. K.N. Raj  
 C. Dr. V.K.R.V. Rao    D. Dr. Vakil
49. Which of the following items are not included in estimating National income or  $NNP_{FC}$ ?  
 A. Salary income of artists, dancers and singers  
 B. Income of smugglers  
 C. Payments to farm workers in foodgrains  
 D. Payment of bank interest for capital borrowed

50. National product at current prices is higher than national product at constant prices during a period of  
 A. Rising prices      B. Falling prices  
 C. Stable prices      D. Changing costs
51. Expenditure on defence is an item of  
 A. private investment  
 B. public investment  
 C. private consumption  
 D. public consumption
52. GNP at market prices is ₹ 200, net property income from abroad is ₹ 20 and indirect taxes are ₹ 20 and subsidies are ₹ 10; GDP at factor cost is  
 A. ₹ 160      B. ₹ 180  
 C. ₹ 200      D. ₹ 250
53. A growing country is one with  
 A. rising GNP at constant prices  
 B. constant GNP at constant prices  
 C. rising GNP at current prices  
 D. None of these
54. National income at constant prices can be found out by  
 A.  $\frac{\text{Price Index Number}}{\text{National Income at Current Prices}} \times 100$   
 B.  $\frac{\text{National Income at Current Prices}}{\text{Price Index Number}} \times 100$   
 C.  $\frac{\text{National Income at Market Prices}}{\text{Price Index Number}} \times 100$   
 D.  $\frac{\text{National Income at Factor Cost}}{\text{Price Index Number}} \times 100$
55. For a study of the long term growth of the economy we use  
 A. real GNP  
 B. money GNP  
 C. per capita income  
 D. property of the individual
56. Which of the following comes under the category of "tertiary sector"?  
 A. Primary sector      B. Secondary sector  
 C. Service sector      D. None of these
57. A "refrigerator" operating in a chemist's shop is an example of  
 A. Intermediate good  
 B. Final good  
 C. Producer's good  
 D. Consumer's good
58. "The General theory of Employment, Interest and Money" in 1936 was written by  
 A. Ragnar Nurkse      B. J.S. Mill  
 C. J.B. Say      D. J.M. Keynes
59. Disposable Income is equal to—  
 A. GNP – Depreciation  
 B. NNP – Indirect Taxes + Economic Subsidies  
 C. Personal Income – Personal Direct Taxes  
 D. Personal Income + Economic Subsidies
60. Which one of the following will directly increase the GNP?  
 A. A rise in interest rate  
 B. A surplus in budget  
 C. A fall in national debt  
 D. An increase in investment
61. At present, which one of the following sectors has the largest share in India's National Income?  
 A. Agriculture      B. Industry  
 C. Services      D. Infrastructure
62. In India National Income Estimates are prepared by  
 A. Planning Commission  
 B. Central Statistical Organisation  
 C. Reserve Bank of India  
 D. Indian Statistical Institute
63. NNP is equal to  
 A. GNP – Total Taxes  
 B. GNP – Foreign Aid  
 C. GNP – Depreciation  
 D. GNP – Indirect Taxes
64. There is an increase in "real national income" when  
 A. prices of essential goods increase  
 B. total production in the economy increases  
 C. supply of the money in the economy increases  
 D. savings of the people increase
65. Which one among the following GNP identity is correct?  
 A.  $Y = \frac{a + I + G}{1 - b}$       B.  $Y = \frac{a + I + G}{1 + b}$   
 C.  $Y = \frac{a - I + G}{1 - b}$       D.  $Y = \frac{a + I - G}{1 - b}$
66. If economic subsidies are added to and indirect taxes are subtracted from the national income at market prices, then it will be equal to  
 A. gross domestic product at market prices  
 B. national income at factor cost  
 C. net national product at market prices  
 D. None of the above
67. Estimate Gross National Product from the data given below  
 Value of consumer goods and services : ₹ 20000 crores  
 Value of capital goods and services : ₹ 10,000 crores

Value of Exports : ₹ 4000 crores  
 Value of Imports : ₹ 2600 crores  
 Total Depreciation : ₹ 1600 crores  
 Which one of the following is correct?  
 A. ₹ 31400 crores    B. ₹ 38600 crores  
 C. ₹ 29800 crores    D. ₹ 29200 crores

68. For a hypothetical economy the Net National Product is ₹ 10,000 crores, indirect taxes are ₹ 1500 crores and subsidy is ₹ 800 crores. The value of National Income will be  
 A. ₹ 12300 crores    B. ₹ 10800 crores  
 C. ₹ 7700 crores    D. ₹ 9300 crores

69. **Assertion (A):** Continuous increase in Real National Income is an indication of economic growth.

**Reason (R):** Increase in National Income does not necessarily reflect increase in per capita income.

Select the correct answer using the codes given below:

- A. Both A and R are true and R is the correct explanation of A.  
 B. Both A and R are true, but R is not the correct explanation of A.  
 C. A is true, but R is false.  
 D. A is false, but R is true.

70. Social accounting of national income addresses to the issue of

- A. public expenditure on social infrastructure  
 B. revenue receipts from and public expenditure on social services  
 C. estimating what is being produced, where, how much and how and who consumes what and how much  
 D. share of national income going to the socially backward groups

71. Gross Domestic Product is the monetary value of

- A. Stock of goods and services  
 B. all final goods and services produced in a year  
 C. goods produced for market only  
 D. goods produced for the market and for self consumption

72. As the country develops, we should find that the

- A. relative percentage share of the primary sector in the national income goes down  
 B. absolute share of the agricultural sector in the national income goes down.  
 C. better redistribution of national income is ensured by the market only  
 D. absolute share of the primary sector in the national income goes down

73. National income at market price rises due to

- A. taxes  
 B. additional supply of goods from imports

C. subsidies

D. savings on account of keeping many government posts vacant

74. In the accounting of the State domestic products

- A. transfer payments like pension, scholarships etc. are included  
 B. indirect taxes are not included but direct taxes are  
 C. direct taxes are not included but indirect taxes are  
 D. supra-regional incomes, as allocated by the so are included

75. Which one of the following statements is not correct?

- A. Compensation of employees plus operating surplus plus mixed income of self employed plus consumption of fixed capital equals GDP at factor cost.  
 B. GDP at factor cost plus indirect taxes minus subsidies equals GDP at market prices.  
 C. GDP at factor cost minus depreciation equals net domestic product at factor cost  
 D. GDP at market prices minus net receipts from abroad plus indirect taxes minus subsidies equals net national product

76. Which one of the following denotes net state domestic product?

- A. Money value of final goods and services produced within the boundary of a state plus net inflow of income from outside the state  
 B. Money value of final goods and services produced within the boundary of a state minus depreciation plus indirect taxes of fixed assets  
 C. Money value of final goods and services produced within the boundary of a state minus depreciation plus indirect taxes  
 D. Money value of goods and services consumed within the boundary of a state plus net income from outside the state

77. Which one of the following constitutes government consumption expenditure?

- A. Compensation to employees plus net purchases from business enterprises  
 B. Wages and salaries of government employees  
 C. Government expenditure on defence  
 D. Transfer payments to individuals and state government

78. Which one of the following equals the value of output of a factory?

- A. Total value added by factors  
 B. Value of all non-factor inputs plus indirect taxes  
 C. Payments for factor inputs and non-factor inputs  
 D. Payments for non-factor inputs plus wages

79. Which one of the following items is excluded in calculating national income?

- A. Services of a rented TV set
- B. ₹ 10000/- won in a lottery
- C. Rented residences
- D. Paid house work

80. In which of the following sectors, is product method used in computing national income in India?

- 1. Agriculture and allied activities
- 2. Mining and quarrying
- 3. Registered manufacturing
- 4. Unregistered manufacturing

Select the correct answer using the codes given below

- A. 2, 3 and 4
- B. 1, 2 and 3
- C. 1 and 2
- D. 1, 3 and 4

81. Consider the following statements regarding savings in different sectors of an economy

- 1. Savings of private corporate sector constitute undistributed profits
- 2. Savings of private corporate sector constitute excess of income over expenditure
- 3. Savings of government sector constitute excess of revenue receipts over revenue expenditure
- 4. Savings of government sector constitute excess of total revenue over total expenditure

Of the above statements

- A. 2 and 3 are correct
- B. 3 and 4 are correct
- C. 1 and 3 are correct
- D. 2 and 4 are correct

82. Match List I with List II and select the correct answer using the codes given below the lists

**List I**

**List II**

- |                                  |   |
|----------------------------------|---|
| (a) Consumption of fixed capital | 1. Gross output less inter industry purchases |
| (b) Value added                  | 2. National income in a closed economy        |
| (c) Net income from abroad       | 3. Depreciation                               |
| (d) Domestic product             | 4. (X – M)                                    |

**Codes:**

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

83. Transfer payments by the government are NOT included in the net domestic product because

- A. these are gifts from the government to the recipients
- B. their opportunity cost is zero
- C. such payments may not ultimately reach the recipients

D. no corresponding production of goods and services has taken place to match the payment of such funds

84. Which of following method is/are used to compute national income in India?

- 1. Net output method
- 2. Net income method
- 3. Expenditure method

Select the correct answer using the codes given below

- A. 2 alone
- B. 1 and 2
- C. 3 alone
- D. 1, 2 and 3

85. Consider the following statements–

The study of national income accounts is of great importance because it

- 1. reveals the changes in the size and composition of the national product.
- 2. provides us with information about the distribution of national income in the society among various groups.
- 3. reveals the manner in which national expenditure is divided between consumption

Of these statement

- A. 1 and 2 are correct
- B. 2 and 3 are correct
- C. 1 and 3 are correct
- D. 1, 2 and 3 are correct

86. Consider the following types of income–

- 1. Personal income
- 2. Private income
- 3. Disposable income
- 4. National income

The correct sequence in descending order of their magnitude is

- A. 4, 2, 1, 3
- B. 4, 2, 3, 1
- C. 2, 4, 3, 1
- D. 2, 4, 1, 3

87. The national income of a country for a given period is equal to the

- A. total value of goods and services produced by the national
- B. sum of total consumption and investment expenditure
- C. sum of personal income of all individuals
- D. money value of final goods and services produced

88. Gross National Savings measure is the

- A. amount of GNP not consumed
- B. excess of income over consumption plus the net taxes.
- C. sum of retained earning and depreciation
- D. excess of disposable income over consumption

89. Social accounting system in India is classified into which one of the following sets of sectors?

- A. Enterprise, households and governments
- B. Assets, liabilities and debt position
- C. Public sector, private sector and joint sector
- D. Income, product and expenditure

**90. Assertion (A) :** A rise in the aggregate demand and aggregate supply of goods and services raises national income.

**Reason (R) :** National income represents the value of aggregate production in monetary terms.

- A. Both A and R are true and R is the correct explanation of A.
- B. Both A and R are true, but R is not a correct explanation of A.
- C. A is true, but R is false
- D. A is false, but R is true

**91.** For a closed economy having no foreign trade, which one of the following is correct?

- A. GDP = GNP      B. GDP > GNP
- C. GDP < GNP      D. BDP  $\leq$  GNP

**92.** Which of the following statements explains the difference between NNP (NET National Product) and NMP (Net Material Product)?

- 1. NNP includes services
- 2. NNP excludes services
- 3. NMP includes services
- 4. NMP excludes services

Select the correct answer using the codes given below

- A. 1 and 4      B. 2 and 4
- C. 1 and 3      D. 2 and 3

**93. Assertion (A) :**  $Y = C + I$

**Reason (R) :** C and I are important determinants of national income.

- A. Both A and R are true and R is the correct explanation of A
- B. Both A and R are true, but R is not correct explanation of A
- C. A is true, but R is false
- D. A is false, but R is true

**94.** The GNP-Gap is the gap between

- A. GNP and NNP
- B. GNP and depreciation
- C. GNP and GDP
- D. Potential and actual GNP

**95.** In an economy where people always consume half of any additional income and save the other half, an additional Govt. expenditure of ₹ 20,000 can create an additional income of

- A. ₹ 10,000      B. ₹ 40,000
- C. Zero      D. ₹ 20,000

**96.** Value added means value of

- A. output at market prices
- B. goods and services less depreciation
- C. goods and services less cost of intermediate goods and services
- D. output at factor cost

**97.** Match List-I with List-II and select the correct answer using the codes given below the lists :

**List I**

**List II**

- |                       |                        |
|-----------------------|------------------------|
| (a) Value added       | 1. Constant prices     |
| (b) Nominal income    | 2. Input-output matrix |
| (c) Real income       | 3. Pension             |
| (d) Transfer earnings | 4. Current prices      |

**Codes:**

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

**98.** Which one of the following statements is correct?

- A. Gross national product includes depreciation
- B. Value added includes transfer payments
- C. Personal income includes undis-tributed profits
- D. Disposable income includes personal taxes

**99.** GNP at market prices for 2020-21 was ₹ 192866 crore and the GNP at factor cost was ₹ 171201 crore. The government paid at ₹ 5107 crore as subsidies during the year. The amount of indirect taxes in crores for the year should workout to

- A. 31879      B. 26772
- C. 21665      D. 16558

**100.** GNP exceeds NNP by

- A. the amount of total taxes
- B. government expenditure
- C. transfer payments
- D. the difference between gross investment and net investment

**101.** GNP measures

- A. the flow of income generated for domestic consumption
- B. the flow of income generated for all legal types of economic activities
- C. the stock of goods available
- D. the increase in the wealth of the economy

**102.** The GNP at factor cost is equal to GNP at market prices

- A. (+) Subsidies
- B. (−) Indirect taxes
- C. (+) Indirect taxes (−) Subsidies
- D. (−) Indirect taxes (+) Subsidies

103. Which of the following is the broadest measure of National Income?  
 A. Gross National Income  
 B. Net National Income  
 C. Disposable Income  
 D. Personal Income
104. Transfer payments are  
 A. only gifts between private individuals  
 B. payments for past services rendered  
 C. payments that are not related to the performance of current productive activities  
 D. exchanges of funds between different levels of government
105. The following is not included while estimating the GNP by income method  
 A. Wages                      B. Rent  
 C. Profit                      D. Taxes
106. Difference between GNP at market prices and NNP at factor cost is  
 A. depreciation  
 B. net indirect taxes  
 C. depreciation and net indirect taxes  
 D. subsidies
107. When nominal GNP is ₹ 1100 and real GNP is ₹ 1000, the GNP deflator is  
 A. 9.09                      B. 90.91  
 C. 1.11                      D. 110
108. The total income earned in any given year by resource suppliers is measured by  
 A. GNP                      B. NNP  
 C. PI                      D. NI
109. Transfer payments are included in  
 A. NNP                      B. GNP  
 C. PI                      D. NI
110. The difference between Net National Product (NNP) and Net Domestic Product (NDP) is  
 A. Net exports  
 B. Net income from abroad  
 C. Net foreign aid  
 D. Net borrowing from abroad
111. Estimates of GDP by PPP method seeks to measure in real terms  
 A. relative level of economic well-being across countries  
 B. level of human development  
 C. ability to repay external debt  
 D. None of the above
112. **Assertion (A):** Transfer earnings are not to be included in the national income estimation.

**Reason (R):** Transfer earnings are not payments for factor services.

**Codes:**

- A. Both A and R are individually true and R is the correct explanation of A.  
 B. Both A and R are individually true, but R is not a correct explanation of A.  
 C. A is true, but R is false.  
 D. A is false, but R is true.

113. An economy's Net National Income is \$ 20000 million, indirect taxes are \$ 2000 million, subsidies are \$ 1000 million and its population 150 million. What will be the National income at factor cost?  
 A. \$ 21000 million    B. 19000 million  
 C. 23000 million    D. 22000 million

114. Given

$$C = 50 + 0.5 Y$$

$$I = 80$$

$$G = 100$$

the equilibrium level of income is

- A. 460                      B. 560  
 C. 230                      D. 360

115. Which one of the following is NOT included while estimating national income through income method?  
 A. Rental Income  
 B. Undistributed Profits  
 C. Mixed Income  
 D. Pensions

116. Given are the following informations about an economy

$$\text{Consumption} = 5000$$

$$\text{Gross Investment} = 1000$$

$$\text{Govt. Purchases} = 800$$

$$\text{Exports} = 600$$

$$\text{Imports} = 800$$

$$\text{Depreciation} = 250$$

What is the GNP at market prices?

- A. 7100                      B. 6850  
 C. 6600                      D. 6350

117. The GNP of an economy at market prices is ₹ 10,000, Net factor income from abroad is ₹ 1000, indirect taxes ₹ 800, subsidies ₹ 500 and depreciation ₹ 1000. What is the GDP at market prices?  
 A. 9,000                      B. 7700  
 C. 11000                      D. 13300

118. Consider the following statements

- At the time of rising prices, NNP at current prices is less than NNP at constant prices.
- At the time of rising prices, NNP at current prices is higher than NNP at constant prices.



3. NNP at current prices and NNP at constant prices are always same irrespective of changes in prices.
4. NNP at current prices is equal to NNP at constant prices at the time of stable prices.
- Which of these statements are correct?
- A. 1 and 2                      B. 1 and 3  
C. 2 and 3                      D. 2 and 4
- 119.** Assume that between 2005 and 2010, GNP increased from ₹ 1000 crore to ₹ 1500 crore and the index of prices increased from 100 to 200. Which one of the following expresses GNP for 2010 in terms of 2005 prices?
- A. 1000 crore                  B. 750 crore  
C. 1500 crore                  D. 500 crore
- 120.** Which one of the following statements relating to transfer payments, capital gains and illegal activities is correct?
- A. Market transactions such as transfer payments, capital gains are included and illegal activities are omitted in national product  
B. Market transactions such as transfer payments, capital gains and illegal activities are omitted in national product  
C. Market transactions such as transfer payments are included but capital gains and illegal activities are omitted in national product  
D. All the three market transactions should be included in national product
- 121.** In 2010 GNP at current prices was ₹ 750 crores. Compared to 2005 the price level was higher by 50 percent. In 2010 GNP at 2005 constant prices will be
- A. ₹ 750 crore                  B. ₹ 600 crore  
C. ₹ 500 crore                  D. ₹ 725 crore
- 122.** National Income total reveals
- A. the spending side  
B. the production side  
C. the distributive side  
D. the investment side
- 123.** A durable-use goods is presumed to be consumed
- A. gradually over life time  
B. in the year when it remains no more useful  
C. in the year it is manufactured  
D. in the year it is purchased by the consumer
- 124.** Which of the following is not a public good?
- A. The Police Force    B. National Defence  
C. Street lighting      D. Electricity
- 125.** If gross investment falls to zero, national income does not fall to zero because of
- A. Consumption              B. The Bank Rate  
C. The multiplier              D. The accelerator
- 126.** A criticism of Gross National Product as a criterion of economic measurement is that it
- A. is impossible to express it in terms of constant price  
B. does not include the value of services  
C. does not include the unpaid services of housewives  
D. does not include imports and exports
- 127.** Which of the following statements is true about the national income accounts?
- A. They allow for changes in the quality of goods and services  
B. They measure social costs  
C. They measure economic and social values  
D. None of the above
- 128.** Which one of the following measures does not include final goods and services?
- A. GNP  
B. NNP  
C. Disposable income  
D. National income
- 129.** The price index for two years 2001 and 2009 is 100 and 185 respectively. National income calculated at current price during the two years is ₹ 40000 crore. Considering 2001 as the base year, what is the real national income in 2009?
- A. ₹ 40095 crore              B. ₹ 85000 crore  
C. ₹ 45990 crore              D. ₹ 38960 crore
- 130.** Assume that inventories grow rapidly because sales fail to reach the levels expected by entrepreneurs. This generally indicates that
- A. investment is in excess of saving  
B. intended saving is in excess of intended investment  
C. short-term investment is in excess of income  
D. intended investment is zero
- 131.** Disposable income plus direct taxes paid by households and miscellaneous receipts of government administrative departments equals
- A. Net national product at factor cost  
B. Net domestic product at market prices  
C. Private income  
D. Personal income
- 132.** Gross national product and gross domestic product of an economy would tend to be equal if
- A. total receipts on account of exports are more than total payments on account of imports  
B. total receipts on account of exports are less than total payments on account of imports  
C. total receipts on account of exports are equal to total payments on account of imports  
D. None of the above

133. Match the following :

**List I**

- (a)  $C + I + G + (X - M)$   
 (b) GDP-Depreciation  
 (c)  $NDP_{MP} - IT + S$   
 (d)  $PY - \text{Direct taxes}$

**List II**

1. NDP  
 2.  $NDP_{FC}$   
 3. Disposable income  
 4. GNP

**Codes:**

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

134. While calculating national income, a transfer payment can be recognised if

- A. no money transaction is involved  
 B. consumer income is increased  
 C. no good or service is produced in the process  
 D. no tax relief, is involved

135. What should be substituted for X and Y in the following equation?

$$GNP \text{ at market prices} = GNP_{FC} - X + Y$$

- A. Indirect taxes, zero  
 B. Indirect taxes, subsidies  
 C. Subsidies, Indirect taxes  
 D. Zero, subsidies

136. Using the following data,  $NDP_{FC}$  will be

1.  $GNP_{FC} = 71047$   
 2. Indirect taxes less subsidies = 8344  
 3. Depreciation = 4486  
 4. Net Factor income from abroad = (-232)

- A. 86137                      B. 74905  
 C. 71047                      D. 66793

137. A transfer income is best defined as one

- A. which does not represent income for economic activity  
 B. which arises when people do unpaid jobs for each other  
 C. which is paid entirely out of some one else's income  
 D. which is made up of unearned income

138. Calculate national income by income and expenditure methods from the data given below

- |                            |        |
|----------------------------|--------|
| 1. Wages                   | = 1500 |
| 2. Rent                    | = 500  |
| 3. Interest                | = 500  |
| 4. Profits                 | = 1500 |
| 5. Consumption             | = 2500 |
| 6. Net domestic investment | = 1300 |
| 7. Net Foreign investment  | = 200  |

**Codes:**

- A. 4000                      B. 4500  
 C. 5000                      D. 3500

139. National product at market prices is higher than national product at factor cost by the amount of

- A. Indirect taxes  
 B. Subsidies  
 C. Indirect taxes + subsidies  
 D. Indirect taxes – subsidies

140. Which of the following is not investment?

- A. Expenditure on purchase of capital goods  
 B. Expenditure on purchase of foodgrains  
 C. Expenditure on expansion of the plant  
 D. Expenditure on setting up a new plant

**Directions:** Questions 141 and 142 are based on the following data given for an economy:

Wages and Salaries	= 30,000
Interest and Profit	= 15,000
Transfer and incomes	= 2000
Rent	= 5000
Social Security Contribution	= 2000
Undistributed profits	= 2500
Personal taxes	= 1500

141. Personal income is equal to

- A. 53500  
 B. 55500  
 C. 57000  
 D. 50000

142. Personal disposable income is equal to

- A. 57500                      B. 56000  
 C. 52000                      D. 50000

143. Which of the following is not included in a country's capital stock?

- A. Company debentures and Shares  
 B. Raw materials in the hands of producers  
 C. Docks and Harbours  
 D. Finished goods in the hands of producers

144. If value added at different stages are added, the total will

- A. equal the value of the final product  
 B. overestimate the value of the final product  
 C. underestimate the value of the final product  
 D. misrepresent the value of the final product

145. If depreciation of capital assets is ignored from national income, it will result in

- A. depletion of capital assets  
 B. overestimation of National Income  
 C. exaggerating the value of capital goods  
 D. underestimating the value of output

## ANSWERS

1	2	3	4	5	6	7	8	9	10
D	D	B	D	D	D	A	D	D	D
11	12	13	14	15	16	17	18	19	20
B	D	D	D	D	A	D	A	D	D
21	22	23	24	25	26	27	28	29	30
A	D	B	B	B	A	D	A	C	B
31	32	33	34	35	36	37	38	39	40
C	A	B	D	A	D	D	D	B	D
41	42	43	44	45	46	47	48	49	50
D	B	C	B	C	D	A	C	B	A
51	52	53	54	55	56	57	58	59	60
D	B	A	B	A	C	C	D	C	D
61	62	63	64	65	66	67	68	69	70
C	B	C	B	A	B	A	D	C	C
71	72	73	74	75	76	77	78	79	80
B	A	A	C	A	C	A	C	B	B
81	82	83	84	85	86	87	88	89	90
D	D	D	D	D	A	D	B	A	A
91	92	93	94	95	96	97	98	99	100
A	A	A	D	B	C	B	A	D	D
101	102	103	104	105	106	107	108	109	110
B	D	B	C	D	C	A	D	C	B
111	112	113	114	115	116	117	118	119	120
A	A	A	A	D	C	A	D	B	B
121	122	123	124	125	126	127	128	129	130
C	C	D	D	A	C	D	C	C	B
131	132	133	134	135	136	137	138	139	140
D	C	B	C	C	D	A	A	D	B
141	142	143	144	145					
A	C	A	A	B					

• • •