

1. National Income

Exercise

1 A. Question

National Income is also called

- A. Real Income
- B. Money Income
- C. Nominal Income
- D. Gross National Product

Answer

It is the total value of goods and services that a nation produces in a set time frame, generally a year.

1 B. Question

National Income of a country can be calculated by

- A. 2 Methods
- B. 3 Methods
- C. 4 Methods
- D. 5 Methods

Answer

They are:

- a. Income method
- b. Product method
- c. Expenditure method

1 C. Question

Net National product

- A. GNP (-) Depreciation
- B. Net domestic product
- C. Per capita Income (-) Depreciation
- D. Gross domestic Product (-) Depreciation

Answer

Depreciation is removed from the calculation as to account for the usage and wear and tear of assets in an economy.

1 D. Question

India's per-capita Income is

- A. 220 dollars
- B. 950 dollars
- C. 2930 dollars
- D. 600 dollars

Answer

It is calculated as- National Income/ Population

1 E. Question

Primary sector consists of

- A. Trade
- B. Construction
- C. Agriculture
- D. Telecommunication

Answer

Agriculture is also known as primary sector and 50% of India's population is engaged in this sector.

1 F. Question

National Income is a measure of

- A. Total value of money
- B. Total value of food grains
- C. Total value of Industrial products
- D. Total value of goods & services

Answer

All the products and services produced in the economy is accounted for, it also includes profits and dividends earned from abroad.

1 G. Question

Expenditure method estimate national income from the

- A. Output side
- B. Income side
- C. Expenditure side
- D. Saving side

Answer

It is the sum total of expenditure made by public on goods, services and investments

1 H. Question

Income method sums all form of

- A. Expenditure
- B. Income
- C. Savings
- D. Investment

Answer

It is the sum total of income and payment received by people

1 I. Question

Per-capita Income is an Indicator of

- A. Richness of people
- B. Poverty of people

- C. Living standard of people
- D. Literacy of people

Answer

Per-capita Income is very important indicator because it shows the living standard of people and other socio-economic aspect like equality and freedom.

1 J. Question

Primary sector contribution to national income in India is

- A. 15.8%
- B. 25.8%
- C. 58.4%
- D. 12.8%

Answer

Primary sector is also known as agricultural sector which engages more than 50 of work force in India with contribution of just 15.8% in the GDP.

2 A. Question

Define National Income.

Answer

It is the total amount of money earned by an economy. It is the sum total of all the value of goods and services produced in an economy over a period of time. It is usually calculated per year.

2 B. Question

How you arrive at NNP?

Answer

Net National Product is arrived at by after deducting depreciation from the Gross National Product (GNP). It is done to account for normal usage and resulting wear and tear in the national assets. (GNP- Depreciation)

2 C. Question

Write a note on Income method?

Answer

Income method is a technique used to calculate national income of an economy. It accounts for all the payments and income received by people in an economy.

2 D. Question

What is Per capita Income?

Answer

It is the output per person in an economy in monetary value. It is indicator of living standard of people and is obtained as following: National Income/ population.

2 E. Question

Write any two needs for the study of National Income.

Answer

Need to study national income includes:

- a. To estimate size of an economy and its level of performance
- b. To measure value of goods and services produced in an economy

- c. Compare performance and growth of any economy with that of previous years or with other countries
- d. Aid government in forming beneficiary policies and programs

2 F. Question

Give example for tertiary sector?

Answer

Tertiary sector includes industries and services in the following area: Hotel, Tourism, Finance and Insurance, transportation and warehousing

2 G. Question

What a note on the Protective function of modern welfare state.

Answer

To ensure growth in economy and efficient performance the government must protect its people from internal and external threats by maintaining law and order. This can ensure smooth functioning of various income generating stakeholders in an economy.

2 H. Question

What is Laissez-faire?

Answer

It means free market or an economy with no intervention of government;

it was a state of action adopted by government in olden days. But now to ensure that the economy functions at optimum level it performs various functions

2 I. Question

Define Gross Domestic Product?

Answer

Gross Domestic Product is the value of all goods (car, food-grains, electronics etc.) and services (doctors, engineers, CA etc.) produced within the boundaries of an economy in a particular time period, generally a year. It includes depreciation

2 J. Question

What is Net Domestic Product?

Answer

Net Domestic Product is similar to GDP, but it does not include depreciation. $GDP - \text{Depreciation} = NDP$

3 A. Question

Explain two basic concept of National Income.

Answer

The two Components of National Income are:

a. Gross Domestic Product is the value of all goods (car, food-grains, electronics etc.) and services (doctors, engineers, CA etc.) produced within the boundaries of an economy in a particular time period, generally a year. It includes depreciation

b. Net National Product is arrived at by after deducting depreciation from the Gross National Product (GNP). It is done to account for normal usage and resulting wear and tear in the national assets. $(GNP - \text{Depreciation})$

3 B. Question

Explain the need for the study of National Income.

Answer

Need to study national income includes:

- a. To estimate size of an economy and its level of performance
- b. To measure value of goods and services produced in an economy
- c. Compare performance and growth of any economy with that of previous years or with other countries
- d. Aid government in forming beneficiary policies and programs

3 C. Question

Explain the methods of calculating National income.

Answer

Following are the Methods of Calculating National Income:

- a. Income method is a technique used to calculate national income of an economy. It accounts for all the payments and income received by people in an economy.
- b. Expenditure method, it calculates the total expense of people on goods, services and investments.
- c. Product method, it is the total value of goods and services produced in the geographical boundary of an economy.

In India, product and income method is widely used.

3 D. Question

Write about the Function of Modern Welfare State.

Answer

Following are the functions:

- a. Protective Function: To ensure growth in economy and efficient performance the government must protect its people from internal and external threats by maintaining law and order. This can ensure smooth functioning of various income generating stakeholders in an economy.
- b. Administrative Function: Government must fulfil its Judiciary, executive and legislative duties. E.g.: To watch over malpractices by companies and be vigilant against fraudulent activities
- c. Social Security Functions: Providing aid to the needy people in an economy and looking after their welfare. E.g.: Providing subsidised Education loan, shelter to poor etc.
- d. Economic Function: To indulge in activities that provide and result in greater economic and income growth. E.g.: Loan waivers to farmers, Special Economic Zones for industries etc.

4. Question

Find out the Per capita Income of Tamil Nadu.

Answer

The Per Capita Income of Tamil Nadu is 2,300 USD (115,700 Rs.)