

UNIT 3: National Income - Basic Concepts and Measurement, Related Aggregates

1. National income is defined as:

- a) The total money supply in an economy
- b) The total value of all goods and services produced within a country in a given period
- c) The total income earned by the residents of a country in a given period
- d) The total value of imports and exports in an economy

2. Which of the following is a component of Gross Domestic Product (GDP)?

- a) Transfer payments
- b) Final consumption expenditure
- c) Government debt
- d) None of the above

3. Which method is NOT used for calculating national income?

- a) Value-added method
- b) Income method
- c) Expenditure method
- d) Capital method

4. Gross Domestic Product (GDP) at market price is equal to:

- a) GDP at factor cost + Indirect taxes – Subsidies
- b) GDP at factor cost – Indirect taxes + Subsidies
- c) GDP at market price – Depreciation
- d) GDP at factor cost – Exports

5. The income method for calculating national income involves:

- a) Adding up the value of final goods produced
- b) Summing up the total expenditures on final goods
- c) Adding the incomes received by all factors of production
- d) Subtracting indirect taxes from gross value

6. What is the main purpose of calculating national income?

- a) To know the total income of all individuals
- b) To measure the economic performance of a country
- c) To determine the government's budget
- d) To calculate the savings rate

7. Which of the following is included in the calculation of GDP?

- a) Unpaid work done in the household
- b) The value of leisure time
- c) The market value of all goods and services produced
- d) Transfer payments like pensions

8. What is the GDP deflator used for?

- a) To adjust nominal GDP to real GDP
- b) To calculate the standard of living
- c) To measure inflation in an economy
- d) To determine the balance of payments

9. Which of the following is an example of a non-market transaction?

- a) A car purchased by a consumer
- b) A volunteer working for a charity
- c) A business investment in equipment
- d) A government purchase of military equipment

10. Net Domestic Product (NDP) is calculated by subtracting:

- a) Depreciation from GDP
- b) Indirect taxes from GDP
- c) Depreciation from GDP
- d) Subsidies from GDP

11. Gross National Product (GNP) is the total market value of:

- a) Final goods and services produced by a country's residents
- b) All goods and services produced in the country, irrespective of nationality
- c) All intermediate and final goods produced in the country
- d) Only final goods produced within the country

12. Which of the following is the primary difference between GDP and GNP?

- a) GDP includes all final goods, while GNP includes only domestic goods
- b) GDP includes only domestic production, while GNP includes income from abroad
- c) GNP includes both intermediate and final goods, whereas GDP includes only final goods
- d) There is no difference between GDP and GNP

13. National income accounting is based on the following principle:

- a) Income of a person equals expenditure of the person
- b) Total income generated in the economy equals total expenditure
- c) Income and expenditure are equal in aggregate terms
- d) Income equals savings in the economy

14. Which of the following is excluded from GDP calculations?

- a) Government expenditure on goods and services
- b) Exports of goods and services
- c) Transfer payments
- d) Private consumption expenditure

15. The expenditure method of calculating national income is based on:

- a) Summing up all expenditures made in the economy on final goods and services
- b) Adding up the total value added by all producers
- c) Summing up all incomes earned by the factors of production
- d) Only considering investment expenditure

16. The term ‘double counting’ refers to:

- a) The inclusion of intermediate goods in GDP
- b) The exclusion of some goods from GDP calculation
- c) The inclusion of both intermediate and final goods in GDP
- d) The calculation of GDP using the wrong method

17. Which of the following is a part of the ‘factor payments’ in the income method?

- a) Depreciation
- b) Interest
- c) Wages and salaries
- d) Indirect taxes

18. Which of the following is NOT included in the Gross Domestic Product?

- a) The value of consumer goods
- b) The value of government transfer payments
- c) The value of business investments
- d) The value of exports

19. Real GDP is different from nominal GDP because it:

- a) Accounts for depreciation
- b) Includes indirect taxes
- c) Adjusts for changes in the price level
- d) Excludes government spending

20. The aggregate supply curve represents:

- a) The total quantity of goods and services that producers are willing to supply at different price levels
- b) The total income in the economy
- c) The total demand for goods and services in the economy.
- d) The total amount of savings in the economy

21. Which of the following is an example of an investment expenditure in national income accounting?

- a) Household consumption of goods
- b) Business spending on new machinery
- c) Government purchase of goods and services
- d) Exports of goods

22. Personal income is equal to:

- a) National income minus personal savings
- b) Gross national product minus taxes
- c) Gross national income minus corporate profits and taxes
- d) National income minus depreciation

23. Which of the following transactions is excluded from the national income accounting process?

- a) The purchase of a car by a consumer
- b) A government transfer payment
- c) The production of consumer goods
- d) Business investment in machinery

24. When calculating national income, the value of intermediate goods is excluded to avoid:

- a) Double counting
- b) Underestimating national income
- c) Including depreciation
- d) Ignoring capital goods

25. The difference between GDP and NDP is that NDP accounts for:

- a) Income from abroad
- b) Depreciation
- c) Subsidies
- d) Transfer payments

26. Which of the following is included in the calculation of Gross National Income (GNI)?

- a) Only domestic production
- b) Domestic production and income received from abroad
- c) Domestic production and income paid to foreign residents
- d) Domestic production and transfer payments

27. Which of the following is NOT a factor of production in national income accounting?

- a) Land
- b) Government spending
- c) Capital
- d) Labor

28. Which of the following is included in the income method of national income calculation?

- a) Exports minus imports
- b) Factor payments (wages, rent, interest, and profits)
- c) Total consumption
- d) Government revenue

29. When calculating national income, the value of services provided by government employees is included as:

- a) Transfer payments
- b) Investment expenditure
- c) Part of government spending
- d) Business income

30. Which of the following is considered as an increase in national income?

- a) An increase in exports
- b) A decrease in investment spending
- c) A reduction in government spending
- d) A decrease in taxes

31. The consumption function shows the relationship between:

- a) National income and inflation
- b) Income and consumption expenditure
- c) Savings and investment
- d) Total government spending and national income

32. In the context of national income accounting, depreciation refers to:

- a) The consumption of fixed capital over time
- b) A decrease in government expenditures
- c) The reduction in the value of capital assets over time
- d) The loss in labor productivity

33. The income received by an individual from selling their labor is called:

- a) Rent
- b) Interest
- c) Wages
- d) Profits

34. Which of the following is considered part of the ‘factors of production’?

- a) Savings
- b) Taxes
- c) Land
- d) Government spending

35. The GDP deflator measures:

- a) Inflation in an economy
- b) The price level of final goods and services
- c) The total production of goods and services
- d) The national income of an economy

36. If the GDP deflator is 1.10 and the nominal GDP is ₹2200 crore, what is the real GDP?

- a) ₹2000 crore
- b) ₹2500 crore
- c) ₹2200 crore
- d) ₹2100 crore

37. In the measurement of national income, if the GDP at market price is ₹10,000 crore, indirect taxes are ₹1,000 crore, and subsidies are ₹500 crore, what is the GDP at factor cost?

- a) ₹10,000 crore
- b) ₹9,500 crore
- c) ₹9,000 crore
- d) ₹9,700 crore

38. When calculating Gross National Product (GNP), the income earned by residents from abroad is:

- a) Added to the GDP
- b) Subtracted from the GDP
- c) Added to the GDP at market price
- d) Not considered

39. If depreciation in an economy is ₹200 crore and Gross Domestic Product (GDP) is ₹2,000 crore, the Net Domestic Product (NDP) will be:

- a) ₹1,800 crore
- b) ₹2,000 crore
- c) ₹2,200 crore
- d) ₹2,400 crore

40. The difference between GDP and GNP is that GNP includes:

- a) Only domestic production
- b) Income from abroad by residents
- c) Only the income from foreign companies operating in the country
- d) Only consumption and investment in the country

41. If the value of intermediate goods is mistakenly included in the calculation of GDP, it leads to:

- a) Underestimation of GDP
- b) Accurate GDP measurement
- c) Double counting of GDP
- d) None of the above

42. Which of the following is excluded in the measurement of national income in an economy?

- a) Payments made for goods and services
- b) Transfer payments like pensions
- c) Income from the sale of final goods
- d) Profits from businesses

43. If the nominal GDP of an economy is ₹8,000 crore and the GDP deflator is 1.25, what is the real GDP?

- a) ₹6,400 crore
- b) ₹7,200 crore
- c) ₹8,500 crore
- d) ₹10,000 crore

44. When calculating national income, which of the following is NOT considered as part of final consumption expenditure?

- a) Government expenditure on goods and services
- b) Household consumption expenditure
- c) Corporate investment in capital goods
- d) Expenditure on durable goods by households

45. Which of the following is included in the calculation of Net National Product (NNP)?

- a) Gross National Product
- b) Gross Domestic Product
- c) Depreciation
- d) Depreciation subtracted from GNP

46. In the context of national income measurement, what does the term "value added" refer to?

- a) The contribution of each firm to the final output of the economy
- b) The income earned by factors of production
- c) The cost of production of final goods
- d) The total income received by the government

47. Which of the following methods does NOT help in calculating national income?

- a) Expenditure method
- b) Income method
- c) Value-added method
- d) Budgetary method

48. If a country has a higher level of depreciation, it will have:

- a) Higher NDP than GDP
- b) Lower GDP than NDP
- c) Lower NDP than GDP
- d) Same GDP and NDP

49. Which of the following is TRUE about the relationship between GDP and NDP?

- a) NDP is always greater than GDP
- b) NDP is GDP minus depreciation
- c) NDP includes net income from abroad
- d) NDP and GDP are identical

50. The sum of the value added at each stage of production of goods and services in the economy is best captured by which national income concept?

- a) Gross National Product (GNP)
- b) Gross Domestic Product (GDP)
- c) Net National Product (NNP)
- d) Net Domestic Product (NDP)