6

CHAPTER

DETERMINATION OF NATIONAL INCOME

UNIT 1 : NATIONAL INCOME ACCOUNTING

Introduction

1. National Income is a Concept of _____.

(a) Macro-Economics

(b) Micro-Economics

(c) Both (a) and (b)

(d) None of above

2. Which of the following Ministry is responsible in India for the compilation of National Accounts Statistics?

(a) Ministry of Commerce & Industry

(b) Ministry of Social Affairs

(c) Ministry of Finance

(d) Ministry of Central Statistical and program Implementation

3. National Income Accounting was pioneered by _____.

(a) Simon Kuznets

(b) Simon Kuznets and Richard Stone

(c) Simon Kuznets, Richard Stone and Adam Smith

(d) None of these

4. National Income accounts are extremely useful:

(a) For analyzing and evaluating the performance of an economy.

(b) For knowing the composition and structure of the national income, income distribution and economic forecasting.

(c) For choosing economic policies and evaluating them.

(d) All of the above.

5. _____ is a government bookkeeping system that measures a country's economic activity – offering in sight into how an economy is performing.

(a) National Income Accounting

(b) Economy Accounting

(c) Notional Inflow Accounting

(d) Net Income Accounting

6. National Income Statistics provide a _____ basis for macro economic modelling and analysis.

(a) Quantitative

(b) Qualitative

(c) Descriptive

(d) Analytical

Different Concepts of National Income

7. Gross Domestic Product at market Price (GDP_{MP}) refers to the Gross Market Value of all _____ goods and services produced with in the domestic territory of a country during a given period.

(a) intermediate

(b) final

(c) work-in-progress

(d) None of the above

8. "Market Price" in GDP_{MP} Signifies that _____.

(a) It Includes amount of indirect taxes paid.

(b) It excludes amount of subsidy received.

(c) The Net Indirect Taxes (NIT) have been included.

(d) All of the above

9. "Gross" in GDP_{MP} Signifies that _____.

(a) No provision has been made for depreciation.

(b) Only final goods and services have to be included.

(c) Only domestic territory has been considered for goods/Services

(d) Net Indirect Taxes have been included.

10. _____ refers to net market value of all the final goods and services produced within the domestic territory of the country during a period of one year.

(a) GDP_{MP}

(b) GNP_{MP}

(c) NDP_{MP}

(d) NNP_{MP}

11. What is the relationship between GDP_{MP} and NDP_{MP}?

(a) $NDP_{MP} = GDP_{MP}$ – Depreciation

(b) $NDP_{MP} = GDP_{MP}$ + Depreciation

(c) $NDP_{MP} = GDP_{MP}$ – Net Indirect Taxes

(d) $NDP_{MP} = GDP_{MP}$ + Net Indirect Taxes.

12. The concept of 'resident unit' involved in the definition of GDP denotes

(a) A business enterprise which belongs to a citizen of India with production units solely situated in India

(b) The unit having predominant economic interest in the economic territory of the country for one year or more irrespective of the nationality or legal status

(c) A citizen household which had been living in India during the accounting year and one whose economic interests are solely in India

(d) Households and business enterprises composed of citizens of India alone living in India during the accounting year.

13. GDP_{MP} may be regarded as _____

(a) National GDP

(b) Nominal GDP

(c) Real GDP

(d) Aggregate GDP

14. _____ is a price index which is calculated by dividing the nominal GDP in a given year by the real GDP for the same year and multiplying it by 100?

(a) GDP Deflator
(b) GDP Inflator
(c) GDP Velocity
(d) GDP Accelerator

15. The formula for computing Real GDP is _____.

(a) GDP for the Current year × Base Year (100)

(b) GDP for the Base year × current year Index

(c) $\frac{\text{GDP for the Current year} \times \text{Base year (100)}}{\text{Current Year Index}}$

(d) $\frac{\text{GDP for the Current year} \times \text{Current year Index}}{\text{Base Year (100)}}$

16. GDP at Current Prices means _____.

(a) Nominal GDP
(b) Real GDP
(c) GDP at constant prices
(d) None of these

17. Which one of the following is the correct formula for computation of GDP Deflator?

(a) $\frac{\text{Nominal GDP}}{\text{Real GDP}} \times 100$

(b) $\frac{\text{Real GDP}}{\text{Nominal GDP}} \times 100$

(c) $\frac{\text{Nominal GDP} \times \text{Real GDP}}{100}$

(d) (Nominal GDP – Real GDP × 100

18. GDP Deflator is a price index used to convert_____.

(a) Nominal GDP to Real GDP
(b) Nominal GDP to National GDP
(c) Real GDP to National GDP
(d) Nominal GDP into percentage.

19. The GDP deflator measures the _____ level of prices relative to the level of prices in the _____ year.

(a) base, current
(b) current, base
(c) base, base
(d) current, current

20. What is Real GDP if Nominal GDP is 1150 Units and GDP Deflator is 143.75?

(a) 800
(b) 1,653.125
(c) 12.5
(d) None of these

21. Since nominal GDP and real GDP must be the same in base year, the deflator for the base year is _____.

(a) Always Zero
(b) Always 100
(c) Always Equal to Nominal GDP
(d) Always Equal to Real GDP

22. If the GDP deflator is greater than 100, then—

(a) Nominal GDP = Real GDP
(b) Nominal GDP > Real GDP
(c) Nominal GDP < Real GDP
(d) Nominal GDP ≥ Real GDP

23. The GDP Deflator is calculated at 78.49. What conclusion can be drawn regarding level of prices of the year in comparison with the base year?

(a) Price level has fallen.
(b) Price level has increase.

(c) Price level remained constant.

(d) No Conclusion can be drawn.

24. Find nominal GDP if real GDP is 475 and price index is 118.

(a) 402.54

(b) 560.5

(c) 24.84

(d) None of these

25. The nominal GDP of a Country in the base year is given at ₹ 600 crores. In the Current year, the nominal GDP increases to ₹ 1200 crores and price index rises to 110. What will be GDP Deflator in Current Year?

(a) 100

(b) 110

(c) 120

(d) None of these

26. What is the price index of the current Year if Nominal and Real GDP for Current Year are 540 and 450 respectively?

(a) 100

(b) 120

(c) 83.33

(d) None of these

Instruction for Questions (27 to 31)

Consider the following data and answer the questions 27-31

Year	2019	2020	2021	2022	2023
GDP Deflator	100	119.15	141.08	135.71	129.75

27. Which Year is the base Year?

(a) 2019

(b) 2020

(c) 2021

(d) None of the above

28. In which year the Nominal GDP is greater than Real GDP?

(a) 2020

(b) 2020-21

(c) 2020-22

(d) 2020-23

29. In which year the Nominal GDP and Real GDP are the same?

(a) 2019

(b) 2020

(c) 2021

(d) None of these

30. From year 2020 to 2023, the price levels are higher than that of the base year 2019. In which year, it is highest?

(a) 2019

(b) 2021

(c) 2023

(d) 2020

31. In which year, the price level has fallen?

(a) 2022

(b) 2022-2023

(c) 2020

(d) 2020-2021

32. While computing various basic aggregates of national income, the basis of distinction between "Gross" and "Net" is:

(a) Depreciation

(b) Consumption of fixed capital

(c) Both (a) and (b)

(d) None of the above

33. Gross Domestic Product (GDP) of any nation.

(a) excludes capital consumption and intermediate consumption

(b) is inclusive of capital consumption or depreciation

(c) is inclusive of indirect taxes but excludes subsidies

(d) None of the above

34. Gross National Product at market prices GNP_{MP} is:

(a) GDP_{MP} + Net Factor Income from Abroad

(b) GDP_{MP} - Net Factor Income from Abroad

(c) GDP_{MP} - Depreciation

(d) GDP_{MP} + Net Indirect Taxes

35. What is the relationship between Net Domestic Product (NDP_{MP}) and Gross Domestic Product (GDP_{MP})?

(a) $NDP_{MP} = GDP_{MP}$ – Depreciation

(b) $NDP_{MP} = GDP_{MP}$ + Depreciation

(c) $GDP_{MP} = NDP_{MP}$ – Depreciation

(d) None of these

36. Choose the correct statement.

(a) GNP includes earnings of Indian corporations overseas and Indian residents working overseas; but GDP does not include these

(b) NNP_{FC} = National Income = FID (factor income earned in domestic territory) - NFIA.

(c) Capital goods and inventory investment are excluded from computation of GDP

(d) $NDP_{MP} = GDP_{MP}$ + Depreciation

37. If Net factor income from abroad is positive, then _____

(a) $GNP_{MP} = GDP_{MP}$

(b) $GNP_{MP} > GDP_{MP}$

(c) $GNP_{MP} < GDP_{MP}$

(d) None of the above

38. Which of the following formula is correct for computation of GNP at market price?

(a) $GNP_{MP} = GDP_{MP}$ + Depreciation

(b) $GNP_{MP} = GDP_{MP}$ + Net factor Income from abroad

(c) $GNP_{MP} = GDP_{MP}$ – Depreciation

(d) $GNP_{MP} = GDP_{MP}$ – Net factor Income from abroad

39. Which is the distinction between "National" and "Domestic"?

(a) National = Domestic + Net factor Income from abroad.

(b) National = Domestic – Net factor Income from abroad

(c) Domestic = National + Net factor Income from abroad

(d) None of the above

40. Which of the following is correct?

(a) $NNP_{MP} = GNP_{MP}$ – Depreciation.

(b) $NNP_{MP} = NDP_{MP}$ + Net factor Income from abroad.

(c) $NNP_{MP} = GDP_{MP}$ + Net factor Income from abroad – Depreciation.

(d) All of the above.

41. What is the basis of distinction between market price and factor cost?

(a) Market Price = Factor Cost + Indirect Taxes – Subsidies

(b) Market price = Factor Cost + Net Indirect Taxes – Subsidies

(c) Market Price = Factor Cost – Net Indirect Taxes

(d) None of the above

42. The basis of distinction between market price and factor cost is:

(a) Net factor income from abroad

(b) Net indirect taxes (*i.e.*, Indirect taxes - Subsidies)

(c) Net indirect taxes (*i.e.*, Indirect taxes + Subsidies)

(d) Depreciation (consumption of fixed capital)

43. Mixed income of the self-employed means:

(a) Net profits received by self-employed people

(b) Outside wages received by self-employed people

(c) Combined factor payments which are not distinguishable

(d) Wages due to non-economic activities

44. If net factor income from abroad is positive, then:

(a) national income will be greater than domestic factor incomes.

(b) national income will be less than domestic factor incomes.

(c) net exports will be negative

(d) domestic factor incomes will be greater than national income

45. The formula to calculate Net Domestic Product is:

(a) Gross National product/Depreciation

(b) Gross domestic product - Depreciation

(c) Gross domestic product + Depreciation

(d) Gross National product + Depreciation

46. Which of the following is alternatively known as the National Income?

(a) Gross National Product at factor Cost

(b) Net National Product at Market Price

(c) Gross National Product at Market Price

(d) Net National Product at Factor Cost

47. _____ is Gross Domestic Product (GDP) plus net factor income from abroad.

(a) Net domestic product

(b) Gross national product

(c) Net national product

(d) Gross domestic product

48. Consider the following statements.

(*i*) NNP (at market price) = GNP (at market price) Depreciation

(*ii*) NNP (at factor cost) = NNP (at market price) + indirect taxes subjects.

Which of the following is CORRECT?

(a) Both (*i*) and (*ii*) are TRUE

(b) (*i*) is TRUE and (*ii*) is FALSE

(c) (*i*) is FALSE and (*ii*) is TRUE

(d) Both (*i*) and (*ii*) are FALSE.

49. What is the formula to compute Operating Surplus?

(a) Gross Value added at Factor Cost - Compensation of Employees - Depreciation

(b) Gross Value Added at Factor Cost + Compensation of Employees + Depreciation

(c) Gross Value Added at Market Price - Compensation of Employees

(d) Gross Value Added at Factor Cost - Compensation of Employees + Depreciation

50. The formula to compute GDP at Factor Cost is:

(a) GDP at Factor Cost - Indirect Taxes - Subsidies

(b) GDP at Market Price - Indirect Taxes

(c) GDP at Market Price - Indirect Taxes + Subsidies

(d) GDP at Factor Cost + Indirect Taxes - Subsidies

51. Which of the following needs to be deducted to derive NDP from GDP?

(a) Net Sales

(b) Depreciation

(c) Net Profit

(d) Net Loss

52. Normally, NNP at market prices is higher than NNP at factor cost because _____

(a) Indirect taxes exceed government subsidies.

(b) Government subsidies exceed Indirect taxes.

(c) Indirect taxes equal to government subsidies.

(d) Depreciation is always Nil.

53. In a particular year, the value of nominal GNP of an economy was ₹ 9,000 crores. The value of GNP of that economy during the same year, evaluated at the price of the base year, was ₹ 10,000 crores. The value of GNP deflator for that year in percentage terms was:

(a) 110%

(b) 111%

(c) 90%

(d) 10%

54. The value of NDP at FC will be _____, if the following information is given:-

GNP at MP	**: ₹ 15,000**
Depreciation	**: ₹ 1,000**
NFIA	**: ₹ 800**
Net Indirect Taxes	**: ₹ 1,500**

(a) ₹ 11,700

(b) ₹ 16,000

(c) ₹ 16,800

(d) None of these

55. Which of the following formula to be used for deriving GNP at Market Prices?

(a) NNP at Market Prices + Depreciation

(b) NNP at Market Prices - Depreciation

(c) NNP at Factor Cost + Depreciation

(d) GNP at Factor Cost - Depreciation.

56. Which of the following is the correct formula?

(a) Net Domestic Product (at factor cost) = Gross Domestic Product (at Market Price) - Depreciation

(b) Net Domestic Product (at Market Prices) = Gross Domestic Product (at Market Prices) - Depreciation

(c) Net Domestic Product (at Market Prices) = Gross Domestic Product (at Market Prices) + Depreciation

(d) Gross Domestic Product (at factor cost) = Net Domestic Product (at factor costs) - Depreciation

57. Which of the following represents National Income?

(a) NNP at MP

(b) NNP at FC

(c) GNP at MP

(d) GNP at FC

58. In which type of economy, domestic income is equal to national income?

(a) Flexible Economy

(b) Rigid Economy

(c) Open Economy

(d) Closed Economy

59. Which of the following is not a component of operating surplus?

(a) Compensation of Employees

(b) Interest

(c) Royalty

(d) Rent

60. What is the formula to compute Operating Surplus?

(a) Gross Value Added at Factor Cost - Compensation of Employees + Depreciation

(b) Gross Value Added at Factor Cost + Compensation of Employees + Depreciation

(c) Gross Value added at Factor Cost - Compensation of Employees - Depreciation

(d) Gross Value Added at Market Price - Compensation of Employees

61. The ratio [(Nominal GDP)/(Real GDP)] is known as:

(a) Wholesale Price Index

(b) GNP deflator

(c) Consumer price index

(d) GDP deflator

62. Which of the following is not included in Domestic Income?

(a) Wage & Salaries

(b) Interest & Dividends

(c) Income earned from abroad

(d) None of the above

63. Which of the following will give Personal Income?

(a) Private Income - Undistributed Corporate Profits - Profits Taxes

(b) Private Income + Undistributed Corporate Profits - Profits Taxes

(c) Private Income + Undistributed Corporate Profits + Profits Taxes

(d) Private Income - Undistributed Corporate Profits - All Taxes

64.

Private Income	:	**₹ 10,000**
Undistributed Corporate Profits	:	**₹ 2,000**
Profit Taxes	:	**₹ 500**

What is Personal Income?

(a) ₹ 7,500

(b) ₹ 8,000

(c) ₹ 8,500

(d) ₹ 10,000

65. When imports exceed exports, which of the following is incorrect?

(a) Net income earned from abroad is negative

(b) Domestic income will be different from national income

(c) Domestic income is greater than national income

(d) National domestic

66. The GDP

(a) a measur mic outp

(b) actual cu persons

(c) national lation

(d) (a) and (

67. Which of ample of tra

(a) Old age sions

(b) Scholar diligent

(c) Compe propert

(d) All of t

68. Which o to national ting person

(a) Transf

(b) Undis porate

(c) Transf eigner

(d) Mixed

69. What Disposabl and Perso

(a) DI = + No

(b) DI = + No

(c) DI = - No

(d) Non

(d) National income is more than domestic income.

66. The GDP per capita is

(a) a measure of a country's economic output per person

(b) actual current income receipts of persons

(c) national income divided by population

(d) (a) and (c) above

67. Which of the following is an example of transfer payment?

(a) Old age pensions and family pensions

(b) Scholarships given to deserving diligent students.

(c) Compensation given for loss of property due to floods

(d) All of the above

68. Which of the following is added to national income while calculating personal income?

(a) Transfer payments to individuals

(b) Undistributed profits of corporate

(c) Transfer payments made to foreigners

(d) Mixed income of self employed

69. What is the relationship of Disposable Personal Income (DI) and Personal Income (PI)?

(a) DI = PI + Personal Income Taxes + Non-Tax Payments

(b) DI = PI – Personal Income Taxes + Non-Tax Payments

(c) DI = PI – Personal Income Taxes – Non-Tax Payments

(d) None of the above

70. Consider the following data:

Particulars	₹ in crores
GNP at MP	9,500
Depreciation	540
Net Factor income from abroad	410
Net indirect Taxes	630

Calculate NDP at FC.

(a) ₹ 7,920

(b) ₹ 8,550

(c) ₹ 8,960

(d) None of these

71. The net domestic product at market price of an economy is ₹ 6,400 crores. The Capital Stock is worth ₹ 6,000 crores and it depreciates at the rate of 10% p.a Indirect Taxes amounted to ₹ 290 Crores, Subsidies amounted to ₹ 30 Crores, Factor Income from the rest of the world is ₹ 500 crores & to rest of the world is ₹ 650 Crores. What will be GNP_{FC}?

(a) ₹ 7,190 Crores

(b) ₹ 6,590 Crores

(c) ₹ 6,330 Crores

(d) ₹ 6,180 Crores

72. Consider the following information:

Particulars	₹ in crores
GNP_{FC}	35,600
Consumption of fixed capital	3,900
Indirect Taxes	210
Factor Income from abroad	600
NDP_{MP}	32,000
Factor Income to Abroad	750

Calculate the amount of subsidies.

(a) ₹ 40 crores
(b) ₹ 50 crores
(c) ₹ 60 crores
(d) None of these.

73. Calculate consumption of Fixed Capital from the following data:

Particulars	₹ in crores
NNP at Factor Cost	6,250
GDP at Market Price	7,000
Net Indirect Taxes	250
Net Factor Income from Abroad	150

(a) ₹ 450 Crores
(b) ₹ 550 Crores
(c) ₹ 650 Crores
(d) None of these

74. Consider the following data:

Particulars	₹ in Crores
Compensation of Employees	1,200
Operating Surplus	2,400
Consumption of fixed capital	480
Mixed income of Self employed	1,320
Net Indirect Tax	540
Rent	660
Profit	960
Net factor Income from abroad	-60

Which of the following is incorrect?

(a) GDP at MP =₹ 5,940 Crores.
(b) GNP at MP =₹ 5,880 Crores.
(c) NNP at MP =₹ 5,400 Crores.
(d) NNP at FC = ₹ 5,940 Crores.

75. NNP_{MP} = ₹ 15,053 Crores
Indirect Taxes = ₹ 335 Crores
NNP_{FC} = ₹ 14,980 Crores
What will be the amount of subsidies and Net Indirect Taxes?

(a) ₹ 262 crores & ₹ 73 crores.
(b) ₹ 73 crores & 262 crores.
(c) ₹ 335 crores & ₹ 189 crores.
(d) ₹ 189 crores & ₹ 335 crores.

76. The GDP at market price of a country in a particular year was ₹ 1,900 crores. The National Income and Net factor Income from abroad were ₹ 1671 crores and ₹ 107 Crores. If the Value of Net Indirect Taxes was ₹ 210 Crores. What is aggregate value of Depreciation?

(a) ₹ 126 Crores
(b) ₹ 142 Crores
(c) ₹ 336 Crores
(d) None of these

77. NNP_{MP} = ₹ 2,850 Crores
Indirect Taxes = ₹ 209 Crores
Subsidies = ₹ 32 Crores
Net Indirect Taxes = ₹ 177 Crores.
Saving of Private Corporate Sector = ₹ 28 Crores.
Personal Income = ₹ 2,215 Crores.
What is the amount of National Income?

(a) ₹ 3,059 Crores
(b) ₹ 2,673 Crores
(c) ₹ 2,645 Crores
(d) None of these

78. GNP_{MP} = ₹ 58,350 Crores.
Depreciation = ₹ 1,625 Crores.
Subsidies = ₹ 1,540 Crores.

Indirect Tax = ₹ 2,590 Crores.

Net factor Income from abroad = ₹ 240 Crores.

Calculate Domestic Income.

(a) ₹ 58,590 Crores

(b) ₹ 56,965 Crores

(c) ₹ 55,915 Crores

(d) None of these

79. GNP_{FC} is equal to NNP_{FC} When:

(a) Net factor income from abroad is zero

(b) Net Indirect tax is zero

(c) Consumption of Fixed Capital is zero

(d) None of the above

Circular flow of Income

80. Which of the following is a phase of circular flow of Income?

(a) Generation Phase

(b) Distribution Phase

(c) Disposition Phase

(d) All of the above

81. Which one of the following Statement is false as regards the concept of flow?

(a) Flow variable refers to that variable, which is measured over a period of time

(b) Flow has a time dimension as its magnitude can be measured over a period of time.

(c) Flow is a static concept

(d) All of the above

82. There are 3 different phases in circular flow of income. Which one of the following phase is relation with generation of income?

(a) Production Phase

(b) Income Phase

(c) Expenditure Phase

(d) Any of the above

83. The expenditure phase of circular flow of income is related with _____.

(a) Generation of Income

(b) Distribution of Income

(c) Disposition of Income

(d) Production of Income

84. "Distribution of income" is related with which of the following phase of circular flow of income?

(a) Production Phase

(b) Income Phase

(c) Expenditure Phase

(d) None of the above

85. _____ is the flow of goods and services between firms and households.

(a) Real Flow

(b) Money Flow

(c) Consumption Flow

(d) Generation Flow

86. Which of the following is correct about Money Flow?

(a) It is the flow of money between firms and households.

(b) It involves exchange of money.

(c) It is also known as Nominal flow.

(d) All of the above

87. Real flow refers to the flow of factor services from _____.

(a) firms to households.

(b) households to firms

(c) firms to Government

(d) Household to Government.

88. Which one of the following is a Stock?

(a) Wealth

(b) Profits

(c) Exports

(d) Saving

89. Which one of the following is NOT a flow?

(a) Income

(b) Depreciation

(c) Capital

(d) Investment

90. Which of the following is included in Real Flow?

(a) Flow of Services

(b) Flow of Goods

(c) Both (a) and (b)

(d) Neither (a) not (b)

91. Which of the following is Considered as a part of nominal flow in the circular flow of income?

(a) Flow of factor Payments from firms of household

(b) Flow of goods and Services from firms to households.

(c) Flow of factor Services from household to firms.

(d) All of these

Methods of Measurement of National Income in India

92. Under which of the following methods of computing national income, the production value of following sectors are added up- Agriculture, Manufacturing, Construction, Transport and Communication, Banking, Administration and Defence.

(a) Income Method

(b) Expenditure Method

(c) Value Added Method

(d) Profit Method

93. Which of the following is one of the three commonly accepted methods for calculating a country's national Income?

(a) Market Realisation method

(b) Value Added Method

(c) Import Substitution

(d) Inflation Adjustment method

94. The_____ method of national income measures the contribution of each producing enterprise in the domestic territory of the country.

(a) Income

(b) Expenditure

(c) Product

(d) Turnover

95. Which of the following is not the method of measuring national income?

(a) Product Method

(b) Income Method

(c) Profit Method

(d) Expenditure Method

96. 'Estimating net value added by each producing enterprise as well as each industrial sector and adding up the net value added by all the sectors', is a step considered for calculating National Income under which of the following methods?

(a) Profit Method

(b) Income Method

(c) Expenditu

(d) Value Ad

97.
ducted from
calculating n
the Product
result into re

(a) Stock Ap

(b) Stock D

(c) Stock L

(d) Stock In

98. While a
output of v
culation of
Product M
exercised t

(a) single

(b) triple

(c) quadr

(d) doubl

99. The p
self-cons

tional in
Method

(a) Histo

(b) Prev

(c) Prev

(d) Non

100. The
port and
into cons
of Natio
the follo

(a) Inc

(b) Pro

(c) Ex

(c) Expenditure Method
(d) Value Added Method

97. _____ **if any, must be deducted from the value added while calculating national income as per the Product Method, as it does not result into real increase in output.**

(a) Stock Appreciation
(b) Stock Depreciation
(c) Stock Loss due to theft
(d) Stock Insured

98. **While adding up the value of output of various sectors for calculation of National Income under Product Method, care should be exercised to avoid the problem of** _____

(a) single Counting
(b) triple Counting
(c) quadruple Counting
(d) double Counting

99. **The production of goods for self-consumption is valued at** _____ **while calculating national income through Product Method**

(a) Historical Prices
(b) Prevailing Market Prices
(c) Prevailing Cost Prices
(d) None of the above

100. **The production value of transport and communication is taken into consideration for computation of National Income under which of the following methods?**

(a) Income Method
(b) Profit Method
(c) Expenditure Method
(d) Product Method

101. **The formula to compute Net National Product at Market Prices is:**

(a) GDP at Market Prices - Depreciation
(b) GNP at Market Prices + Depreciation
(c) GNP at Market Prices - Depreciation
(d) None of these

102. **The production value of transport and communication is taken into consideration for computation of National Income under which of the following methods?**

(a) Income Method
(b) Expenditure Method
(c) Product Method
(d) Profit Method

103. **"Identifying the producing enterprise and classifying them into individual sectors according to their activities", is a step followed in which of the following methods of computing national income?**

(a) Product Method
(b) Income Method
(c) Expenditure Method
(d) Profit Method

104. **The Problem of Double Counting may arise in which of the following methods of calculating national income?**

(a) Profit Method
(b) Product Method
(c) Income Method
(d) Expenditure Method

105. **Which of the following is not a method of measurement of National Income?**

(a) Value Added Method
(b) Income Method
(c) Intermediate Consumption Method
(d) Expenditure method

106. Which of the following method gives highest value of National Income?

(a) Value Added Method
(b) Expenditure Method
(c) Income Method
(d) All the three methods given the same value

107. Who is entrusted with the task of estimating national income?

(a) CSO
(b) CSIR
(c) MOF
(d) NSDC

108 Value Added Method is also known as _____.

(a) Product Method
(b) Inventory Method or Net Output Method
(c) Industrial Origin Method
(d) All of the above

109. Which of the following is one of the three accepted methods to calculate a country's national income?

(a) Value Added Method
(b) Inflation Adjustment Method
(c) Import Substitution Method
(d) Nominal Expense Method

110. _____ refers to the addition of value to the raw material (intermediate goods) by a firm, by virtue of its productive activities.

(a) Value Added
(b) Income Added
(c) Inclusive Approach
(d) Exclusive Approach

111. Value Added is calculated as the difference between the value of output and _____.

(a) Value of input
(b) Intermediate consumption
(c) Final consumption
(d) Basic consumption

112. Value added by each producing enterprise is also known as _____.

(a) GVA at market price
(b) GVA at factor price
(c) GDP at market price
(d) GDP at factor price

113. From the following information calculate GDP at Market Price:

GDP at Factor Cost = INR 200 Crore

Indirect Tax = INR 200 Crore

Subsidies = INR 20 Crore

(a) INR 500 Crore
(b) INR 230 Crore
(c) INR 330 Crore
(d) INR 130 Crore

114. The expenditure incurred by a production unit on purchasing those goods and services from other production units, which are meant for resale or for using up completely is known as _____.

(a) Final Consumption
(b) Intermediate Consumption
(c) Basic consumption
(d) None of these

115. The expend services which consumption called as _____

(a) Final Cons
(b) Intermedi
(c) Basic con
(d) None of t

116. If purch from domesti crore and imp will be the a consumptio method?

(a) ₹ 8 cror
(b) ₹ 150 cr
(c) ₹ 158 c
(d) ₹ 166 c

117. What i the basis o

Sales
Closing S
Opening Stock

(a) ₹ 42,
(b) ₹ 42,
(c) ₹ 41,
(d) ₹ 38

118. Whi part of

(a) Far
(b) Fis
(c) Tra
(d) Mi

119. W part of

115. The expenditure on goods and services which is meant for final consumption and investment is called as _____.

(a) Final Consumption
(b) Intermediate Consumption
(c) Basic consumption
(d) None of these

116. If purchase of raw material from domestic firm is given at ₹ 158 crore and imports are ₹8 crore, what will be the amount of intermediate consumption under value added method?

(a) ₹ 8 crore
(b) ₹ 150 crore
(c) ₹ 158 crore
(d) ₹ 166 crore

117. What is the value of output on the basis of following information?

Sales	**: ₹ 40,000 Lakhs**
Closing Stock	**: ₹ 2,000 Lakhs**
Opening Stock	**: ₹ 500 Lakhs**

(a) ₹ 42,500 Lakhs
(b) ₹ 42,000 Lakhs
(c) ₹ 41,500 Lakhs
(d) ₹ 38,500 Lakhs

118. Which of the following is not a part of Primary Sector?

(a) Farming
(b) Fishing
(c) Transport
(d) Mining

119. Which of the following is not a part of Tertiary Sector?

(a) Transport
(b) Education
(c) Finance
(d) Animal Husbandry

120. The industrial classification of producing enterprises does not include which of the following?

(a) Primary Sector
(b) Secondary Sector
(c) Mixed Sector
(d) Tertiary Sector

121. Under Value Added Method, the sum total of Gross Value Added at market price of each sector is called as:

(a) GVA_{MP}
(b) GDP_{MP}
(c) GVA_{FC}
(d) GDP_{FC}

122. As per Value Added method, the net domestic product at Factor Cost (NDP_{FC}) is calculated as per which of the following equation?

(a) GDP_{MP} - Depreciation + Net Indirect Taxes
(b) GDP_{MP} - Depreciation - Net Indirect Taxes
(c) GDP_{MP} + Depreciation + Net Indirect Taxes
(d) GDP_{MP} + Depreciation - Net Indirect Taxes

123. Consider the following information:

GDP_{MP}	**: ₹ 8,000 crore**
Depreciation	**: ₹ 400 crore**
Net Indirect Taxes	**: ₹ 300 crore**

GVA_{MP} (Primary Sector)	: ₹ 4,000 crore
GVA_{MP} (Secondary Sector)	: ₹ 1,200 crore
GVA_{MP} (Tertiary Sector)	: ₹ 2,800 crore

What is the value of NDP at Factor Cost?

(a) ₹ 7,300 crore
(b) ₹ 8,400 crore
(c) ₹ 8,700 crore
(d) ₹ 16,400 crore

124. Which of the following equation is true?

(a) $NNP_{FC} = NDP_{FC} + NFIA$
(b) $NNP_{FC} = NDP_{MP} + NFIA$
(c) $NNP_{FC} = NDP_{FC} - NFIA$
(d) $NNP_{FC} = NDP_{MP} - NFIA$

125. Under value added method, which of the following will be included while computing National Income?

(a) Sale and purchase of second-hand goods
(b) Intermediate goods
(c) Production of goods for self consumption
(d) Production of services for self consumption

126. For computation of National Income using value added method, which of the following shall not be included?

(a) Change in store of goods
(b) Imputed value of owner-occupied house
(c) Production of goods for self-consumption
(d) Intermediate goods

127. Consider the following data:

Sales	:	**20,00,000**
Closing Stock	:	**40,000**
Opening Stock	:	**10,000**
Indirect Taxes	:	**1,00,000**
Depreciation	:	**60,000**
Intermediate Consumption	:	**3,20,000**
Purchase of Raw Material	:	**1,35,000**
Rent	:	**25,000**

The amount of Net value added at market price is _____.

(a) ₹ 16,30,000
(b) ₹ 16,50,000
(c) ₹ 16,80,000
(d) ₹ 16,90,000

128. What is the value of output in respect of following data?

		Amount (₹)
Net value Added at Factor Cost	:	**70,000**
Intermediate consumption	:	**30,000**
Goods and Services Tax	:	**25,000**
Subsidy	:	**4,000**
Deprecation	:	**10,000**

(a) ₹ 1,10,000
(b) ₹ 1,01,000
(c) ₹ 89,000
(d) None of these

Income Method

129. Wages, Rents, Interest and Profits are variables considered for computing national income under which of the following methods?

(a) Product Method
(b) Expenditure Method
(c) Income Method
(d) Turnover Method

130. If GDP at Market Prices is INR 200 Cr. and Net Income from Abroad is INR 100 Cr., then what will be the value of GNP at Market Prices?

(a) INR 100 Cr.
(b) INR 400 Cr.
(c) INR 300 Cr.
(d) INR 500 Cr.

131. Consider the following information:

A. NDP at market price 77,000
B. Net Factor Income from abroad (-) 700
C. Depreciation 1,700
D. Subsidies 6,600
E. Indirect Taxes 7,700

The value of National Income is:

(a) 75,000
(b) 75,200
(c) 75,400
(d) 75,500

132. Which of the following is not covered under Income Method of computing Gross National Product?

(a) Rents
(b) Private consumption expenditure
(c) Wages and salaries
(d) Interest

133. Windfall gains like, prizes won, lotteries, etc. should not be included in the estimation of national income is the precaution to be followed under which of the following methods of computing national income?

(a) Profit Method
(b) Product Method
(c) Expenditure Method
(d) Income Method

134. _____ is the total measure of the flow of goods and services at market value resulting from current production during a year in a country, including net income from abroad.

(a) Gross Domestic Product
(b) Gross National Product
(c) Net Domestic Product
(d) None of the above

135. The formula to compute GNP at Market Prices is:

(a) GNP at Market Prices = GDP at Market Prices + Depreciation
(b) GNP at Market Prices = GDP at Market Prices - Net Income from Abroad
(c) GNP at Market Prices = GDP at Market Prices + Net Income from Abroad
(d) GNP at Market Prices = GNP at Market Prices + Depreciation

136. The formula to calculate Personal Income is:

(a) National Income - Undistributed Corporate Profits + Profit Taxes - Social Security Contribution - Interest on Public Debt
(b) National Income + Undistributed Corporate Profits + Profit Taxes + Social Security Contribution

(c) National Income - Undistributed Corporate Profits - Profit Taxes - Social Security Contribution + Transfer Payments + Interest on Public Debt

(d) National Income - Undistributed Corporate Profits + Profit Taxes - Social Security Contribution - Transfer Payments

137. Which of the following formula would be used to calculate Disposable Income?

(a) Private Income - Direct Taxes

(b) Private Income + Direct Taxes

(c) Personal Income - Direct Taxes

(d) Personal Income + Direct Taxes

138. What is the formula to calculate GDP at Market Prices?

(a) GNP at Market Prices + Net Indirect Taxes

(b) GNP at Market Prices + Net Income from Abroad

(c) GNP at Market Prices - Net Income from Abroad

(d) GNP at Market Prices - Net Indirect Taxes

139. Transfer payments such as gifts, donations, scholarships etc. should not be included in the estimation of national income is the precaution to be followed under which of the following methods of computing national income?

(a) Expenditure Method

(b) Income Method

(c) Profit Method

(d) Product Method

140. Which of the following is not the component of calculating national income through expenditure method?

(a) Government expenditure

(b) Production for self consumption

(c) Investment expenditure

(d) Consumption expenditure

141. The sum total of all the factor incomes earned within the domestic territory of a country is known as:

(a) NNP_{FC}

(b) NDP_{FC}

(c) NNP_{MP}

(d) NDP_{MP}

142. Which one of the following is component of Income Method?

(a) Compensation of Employees

(b) Rent and Royalty

(c) Profit and Interest

(d) All of the above

143. The reward to the entrepreneur for his contribution to the production of goods and services is called as _____.

(a) Corporate Tax

(b) Dividend

(c) Retained Earnings

(d) Profit

144. Which of the following is not considered for computation of national income under Income Method?

(a) Interests

(b) Wages

(c) Government Expenditure

(d) Rents

145. A method of national income according is based on the principal

that revenues earned by all the firms put together must be distributed among the factors of production as salaries, wages, profits, rent and interest.

The method is known as:

(a) Expenditure method
(b) Product method
(c) Income method
(d) Consumption method

146. When factor incomes of all the sectors are summed up, the result is called as _____.

(a) NNP_{FC}
(b) NDP_{FC}
(c) NDP_{MP}
(d) None of these

147. Which method of calculating GDP of a country gives the following?

If there N firms in the economy, each assigned with a serial number from

1 to N. The GDP = GVA_i where i varies from 1 to N.

(a) Estimation Method
(b) Income Method
(c) Product Method
(d) Expenditure Method

148. Which as the following is included white estimating National Income under Income Method?

(a) Income from sale of second-hand goods
(b) Income from sale of shares, bonds and debentures
(c) Windfall gains like income from lotteries, horse race, etc.
(d) Imputed value of services provided by owners of production units

149. While estimating national income by income method, transfer incomes are not included as there are not connected with any productive activity and there is no value addition, which of the following is included in "Transfer Income"?

(a) Scholarship
(b) Donations & charity
(c) Old age pensions
(d) All of the above

150. Which of the following is not covered under Income Method of computing Gross National Product?

(a) Rents
(b) Private consumption expenditure
(c) Wages and salaries
(d) Interest

151. What is the value of NDP at factor Cost?

Rent	:	**₹ 9,000**
Royalty	:	**₹ 4,000**
Mixed Income	:	**₹ 3,500**
Interest	:	**₹ 11,000**
Profit	:	**₹ 8,700**
Compensation of Employees	:	**₹ 20,000**

(a) ₹ 52,700
(b) ₹ 56,200
(c) ₹ 59,700
(d) None of these

152. Consider the following data:

Value of output	:	**₹ 2,50,000**
Purchase of Raw Material	:	**₹ 58,000**

Wages and Salaries : ₹ 65,000

Net Indirect Tax : ₹ 15,000

The value of operating surplus is .....

(*a*) ₹ 1,12,000

(*b*) ₹ 1,27,000

(*c*) ₹ 1,92,000

(*d*) None of these

153. What is the formula to compute Operating Surplus?

(*a*) Gross Value Added at Factor Cost - Compensation of Employees + Depreciation

(*b*) Gross Value Added at Factor Cost + Compensation of Employees + Depreciation

(*c*) Gross Value added at Factor Cost - Compensation of Employees - Depreciation

(*d*) Gross Value Added at Market Price - Compensation of Employees

154. Which of the following method measures national income as the sum of all incomes, wages, rents, interest and profit paid to the four factors of production?

(*a*) Value Added Method

(*b*) Expenditure Method

(*c*) Income Method

(*d*) Product Method

Expenditure Method

155. The _____ measures national income as total spending on final goods and services produced within nation during a year.

(*a*) Turnover Method

(*b*) Product Method

(*c*) Income Method

(*d*) Expenditure Method

156. Under _____ comes the expenditure incurred by private enterprise on new investment and on replacement of old capital.

(*a*) Gross Domestic Private Investment

(*b*) Net Domestic Private Investment

(*c*) Total Domestic Private Investment

(*d*) Accumulated Domestic Private Investment

157. ABC limited incurred capital expenditure of INR 100 Crores in setting up of a new plant. The mentioned capital expenditure will be considered for computation of national income under which of the following methods?

(*a*) Product Method

(*b*) Expenditure Method

(*c*) Income Method

(*d*) Turnover Method

158. From the following information calculate national income.

Consumption expenditure = INR 1000 Crore

Investment Expenditure = INR 800 Crore

Government Expenditure = INR 1200 Crore

Net Exports = INR 400 Crore

(*a*) INR 2200 Crore

(*b*) INR 1800 Crore

(*c*) INR 3000 Crore

(*d*) INR 3400 Crore

159. From the following information, compute Gross National Product (GNP) according to the Expenditure Method

Private Consumption Expenditure = INR 200 Crores

Gross Domestic Private Investment = INR 80 Crores

Net Foreign Investment = INR 20 Crores

Rent = INR 60 Crores

Wages = INR 100 Crores

Mixed Income = INR 25 Crores

Government Expenditure on Goods and Services = INR 60 Crores

(a) INR 360 Crores
(b) INR 200 Crores
(c) INR 385 Crores
(d) INR 270 Crores

160. From the following information, compute Gross National Product (GNP) according to the Expenditure Method

Private consumption expenditure = INR 100 Crores

Gross Domestic Private Investment = INR 80 Crores

Net Foreign Investment = INR 20 Crores

Rent = INR 60 Crores

Wages = INR 100 Crores

Mixed Income - INR 25 Crores

Government Expenditure on Goods and Services = INR 70 Crores

(a) INR 360 Crores
(b) INR 200 Crores
(c) INR 385 Crores
(d) INR 270 Crores

161. Gifts, donations and scholarships are which form of payments?

(a) Factor Payments
(b) Explicit Payments
(c) Implicit Payments
(d) Transfer Payments

162. "The expenditure on second hand goods should not be included as they do not contribute to the current year's production of goods", is a precaution suggested under which of the following methods of computing national income?

(a) Profit Method
(b) Product Method
(c) Expenditure Method
(d) Income Method

163. _____ is expenditure incurred on by business firms on (a) new plants, (b) adding to the stock of inventories and (c) on newly constructed houses

(a) Net exports
(b) Investment expenditure
(c) Consumption expenditure
(d) None of the above

164. Which of the following is/are considered for calculating National Income according to the Expenditure Method?

(a) Consumption Expenditure; Investment Expenditure; Government Expenditure and Net Exports
(b) Consumption Expenditure
(c) Net Exports and Consumption Expenditure
(d) Government Expenditure; Investment Expenditure and Net Exports

165. Which of the following is not the component of calculating national income through expenditure method?

(a) Government expenditure

(b) Production for self consumption

(c) Consumption expenditure

(d) Investment expenditure

166. _____ is the largest component of national income under expenditure method.

(a) Investment expenditure

(b) Consumption expenditure

(c) Government Expenditure

(d) None of the above

167. The formula to compute Net National Product at Factor Cost is:

(a) NNP at Market Prices + Indirect Taxes + Subsidies

(b) NNP at Market Prices - Indirect Taxes - Subsidies

(c) NNP at Market Prices - Indirect Taxes + Subsidies

(d) NNP at Market Prices – Subsidies

168. In India, _____ is the apex banking institution that regulates the monetary policy in the country.

(a) State Bank of India

(b) Canara Bank

(c) Reserve Bank of India

(d) Oriental Bank of Commerce

169. Which of the following is not considered for computation of national income under Income Method?

(a) Government Expenditure

(b) Rents

(c) Wages

(d) Interests

170. Which of the following elements are considered for computing national income according to Expenditure Method?

(a) Consumption Expenditure and Net Exports

(b) Consumption Expenditure; Investment Expenditure and Government Expenditure

(c) Consumption Expenditure and Investment Expenditure

(d) Consumption Expenditure; Investment Expenditure; Government Expenditure and Net Exports

171. Which of the following is not covered under Income Method of computing Gross National Product?

(a) Interest

(b) Wages and salaries

(c) Private consumption expenditure

(d) Rents

172. The formula for calculating Private Final Consumption Expenditure (PFCE) is:

(a) Household final consumption expenditure/private non-profit institutions serving households final consumption expenditure.

(b) Household final consumption expenditure X private non-profit institutions serving households final consumption expenditure.

(c) Household final consumption expenditure + private non-profit institution serving households final consumption expenditure.

(*d*) Household final consumption expenditure - private non-profit institution serving households final consumption expenditure.

173. Under expenditure method, expenditure of which of the following sector is included for computing national income?

(*a*) Households

(*b*) Government and firms

(*c*) Foreign Sector

(*d*) All of the above

174. Which one of the following is part of expenditure on transfer payments by government?

(*a*) Unemployment benefit

(*b*) Old age pension

(*c*) Interest on public debt

(*d*) All of the above

175. Under expenditure method, the sum total of final expenditures incurred by households, business firms, government and foreigner is called as _____.

(*a*) National Income

(*b*) GDP at market price

(*c*) GDP at factor cost

(*d*) NNP at factor cost

176. If Net Value Added at Factor Cost = INR 2 Cr. and Depreciation is INR 1 Cr., then GDP at Factor Cost will be:

(*a*) INR 3 Cr.

(*b*) INR 1 Cr.

(*c*) INR 4 Cr.

(*d*) INR 5 Cr.

177. The formula to compute GDP at Factor Cost is:

(*a*) GDP at Factor Cost + Indirect Taxes - Subsidies

(*b*) GDP at Market Price - Indirect Taxes

(*c*) GDP at Factor Cost - Indirect Taxes - Subsidies

(*d*) GDP at Market Price - Indirect Taxes + Subsidies

178. Which of the following elements are considered for computing national income according to Expenditure Method?

(*a*) Consumption Expenditure; Investment Expenditure and Government Expenditure

(*b*) Consumption Expenditure and Investment Expenditure

(*c*) Consumption Expenditure and Net Exports

(*d*) Consumption Expenditure; Investment Expenditure; Government Expenditure and Net Exports

179. "Private final consumption expenditure" refers to expenditure incurred by households and private non-profit institutions serving households on all types of consumer goods. Which of the following is not included in such computation?

(*a*) Durable goods

(*b*) Semi-durable goods

(*c*) Non-durable goods and services

(*d*) Construction of owner-occupier houses

180. Under expenditure method, the expenditure on purchase of old shares and bonds is not included as _____.

(*a*) These are not incurred in cash

(*b*) These do not represent as currently produced goods and services.

(c) These represent current production

(d) None of these

181. Which of the following is included in the national income?

(a) Expenditure an intermediate goods

(b) Transfer Payments

(c) Expenditure on own account production

(d) Purchase of financial assets

182. In respect of following data given in ₹. What will be national income using expenditure method?

Particulars	₹
Private final consumption	25,000
Government final consumption	12,000
Net Domestic capital formation	6,500
Net Export	5,000
Net factor income from Abroad	1,000
Net Indirect Taxes	1,500

(a) ₹ 49,500

(b) ₹ 48,000

(c) ₹ 47,000

(d) ₹ 45,500

183. The formula to calculate GDP at Factor Cost is:

(a) GDP at Factor Cost = Net Value Added × Depreciation

(b) GDP at Factor Cost = Net Value Added/Depreciation

(c) GDP at Factor Cost = Net Value Added + Depreciation

(d) GDP at Factor Cost = Net Value Added – Depreciation

184. Which of the following is not the component of calculating national income through expenditure method?

(a) Government expenditure

(b) Production for self-consumption

(c) Consumption expenditure

(d) Investment expenditure

185. Read the following statements.

I. 'Value added' refers to the difference between value of output and purchase of intermediate goods.

II. 'Value added' represents the contribution of labour and capital to the production process.

(a) Statements I and II are incorrect

(b) Statements I and II are correct

(c) Statement I is correct and II is incorrect

(d) Statement II is correct and I is incorrect

186. Non-economic activities are:

(a) those activities whose value is excluded from national income calculation as it will involve double counting

(b) those which produce goods and services, but since these are not exchanged in a market transaction they do not command any market value

(c) those which do not involve production of goods and services as they are meant to provide hobbies and leisure time activities

(d) those which result in production for self consumption and therefore not included in national income calculation

187. Which one of the following is a component of Triple Identity?

(*a*) National Product

(*b*) National Income

(*c*) National Expenditure

(*d*) All of the above

188. Which of the following enters into the calculation of national income?

(*a*) The value of the services that accompany the sale

(*b*) Additions to inventory stocks of final goods and materials

(*c*) Stocks and bonds sold during the current year

(*d*) (*a*) and (*b*) above

189. Consider the following data:

Particulars	₹ In Crores
Sales	1,050
Opening Stock	750
Intermediate Consumption	525
Closing Stock	600
Net factor Income from Abroad	45
Depreciation	225
Excise Tax	165
Subsidies	75

What is the amount of National Income by value Added method?

(*a*) ₹ 900 Crores

(*b*) ₹ 375 Crores

(*c*) ₹ 105 Crores

(*d*) None of these

190. The following data is available (In ₹ Crores):

Purchase of Materials	₹ 170
Subsidies	₹ 30
Intermediate Consumption	₹ 400
Sales	₹ 900
Depreciation	₹ 60
Excise Tax	₹ 90
Opening Stock	₹ 80
Closing Stock	₹ 60

Calculate Net Value Added by factor Cost.

(*a*) ₹ 480 Crores

(*b*) ₹ 420 Crores

(*c*) ₹ 360 Crores

(*d*) None of above

191. Which of the following is not used when National Income is calculated using expenditure method?

(*a*) Operating Surplus

(*b*) Private Final Consumption Expenditure

(*c*) Net Export

(*d*) Net Domestic Capital Formation

192. Calculate National Income with the help of Expenditure Method with the help of following data.

Particulars	₹ in Crores
Net factor Income from Abroad	15
Net Indirect Taxes	90
Private Final Consumption Expenditure	1,500
Net Domestic Capital Formation	577
Consumption of Fixed Capital	98
Net Export	22
Govt. Final Consumption Expenditure	825

(a) ₹ 1,139 Crores
(b) ₹ 1,237 Crores
(c) ₹ 2,039 Crores
(d) ₹ 3,022 Crores

193. Consider the following Information:

Particulars	₹ in Crores
Private Final Consumption Expenditure	45
Gross Domestic Fixed Capital Formation	1,575
Subsidy	450
Net Import	90
Change in Stock	135
Net acquisition of Valuables	45
Public Final Consumption Expenditure	22
Income Paid to abroad	90
Depreciation	135

What is the value of NNP_{FC} (by expenditure method)?

(a) ₹ 1,957 Crores
(b) ₹ 1,507 Crores
(c) ₹ 1,462 Crores
(d) None of these

194. The following data is available:

Particulars	₹ in Crores
Compensation of Employees	2,250
Interest	675
GNP at Factor Cost	46,125
Profit	975
Net Domestic Capital Formation	600
Gross Domestic Capital Formation	675
Net Exports	(-) 38
Rent	600
Factor Income to abroad	675
Net Indirect Taxes	225

What are GDP_{FC} and GDP_{MP}?

(a) ₹ 4,800 Crores & ₹ 4,575 Crores
(b) ₹ 4,575 Crores & ₹ 4,800 Crores
(c) ₹ 6,750 Crores & ₹ 6,825 Crores
(d) ₹ 6,825 Crores & ₹ 6,750 Crores

195. Read the following statements and answer the following question.

I. Intermediate consumption consists of the value of the goods and services consumed as inputs by a process of production.

II. Intermediate consumption excludes fixed assets whose consumption is recorded as consumption of fixed capital.

(a) Only I is true
(b) Both I and II are true
(c) Only II is true
(d) Neither I nor II is true

196. Which of the following does not enter into the calculation of national income?

(a) Exchange of previously produced goods
(b) Exchange of second hand goods
(c) Exchange of stocks and bonds
(d) All of the above

The System of Regional Accounts in India

197. At present, _____ compute State Income estimates and district level estimates.

(a) All the states only
(b) All Union territories only
(c) All The States and Union territories of India
(d) Central Government

198. _____ is a measure in monetary terms of the volume of all goods and services produced in the State within a given period of time accounted without duplication.

(a) Net State Domestic Product
(b) Net State Disposition Product
(c) Net State Generated Product
(d) None of the above

199. What is the formula to calculate Per Capital State Income?

(a) State Income × Money Multiplier
(b) $\frac{\text{State Income} \times \text{Money Multiplier}}{\text{Year end State Population}}$
(c) $\frac{\text{State Income}}{\text{Year end State Population}}$
(d) $\frac{\text{State Income}}{\text{Mid year projected Population of the State}}$

200. The State level estimates are prepared by the State Income Unit of the respective state _____

(a) Directorates of Commerce Wing
(b) Directorates of Economic Affairs
(c) Directorates of Economic and Statistics
(d) Directorates of CSO

201. In the preparation of State Level estimates the advice an conceptual and Methodological problems is rendered by _____

(a) State Statistical Organisation
(b) State Directorates of Economics and Statistics.
(c) State Economic Affairs Organisation
(d) Central Statistical Organisation

202. Which of the following activities is not assigned to a particular State?

(a) Railways
(b) Communication
(c) Banking and Insurance
(d) All of these

203. Which of the following is part of "Supra-Regional Sectors" of the Economy?

(a) Railways
(b) Communications
(c) Central Government Administration
(d) All of the above

204. The estimates for "Supra-Regional Activities" are compiled for _____ and allocated to _____ on the basis of relevant indicators.

(a) the States, the Centre
(b) the economy, the States
(c) the economy, the Centre
(d) the States, the States.

205. In the preparation of State Income estimates, certain activities cut across State boundaries and thus their economic contribution cannot be assigned to any one State directly. These sectors of the economy are known as _____

(a) Super regional sectors
(b) Supra regional sectors

(c) State balancing sectors

(d) Regional sectors

GDP and Welfare

206. Which of the following aspects are excluded in GDP measures?

(a) Income Distributions

(b) Quality Improvement in Systems

(c) Productions hidden from government authorities.

(d) All of the above.

Limitations and Challenges of National Income Computation

207. Which of the following is an example of conceptual difficulties related to measurement of National Income?

(a) Issue of Transfer Payments

(b) Valuation of Government Services

(c) Lack of an agreed definition of National Income.

(d) All of the above.

UNIT 2 : (THE KEYNESIAN THEORY OF DETERMINATION AT NATIONAL INCOME

Introduction

208. In 1936, who published the masterpiece "The General Theory of Employment, Interest and Money"?

(a) John Maynard Keynes

(b) John Milton Keynes

(c) Jean Maynard Keynes

(d) Jean Milton Keynes

209. In which year, the western word had experienced the Great Depression?

(a) 1928

(b) 1929

(c) 1930

(d) None of these

210. The history of modern micro-economics was revolutionised in 1936 with the publication by John Maynard Kenes. What is the name of that masterpiece?

(a) General Theory of Government Spending

(b) General Theory of Employment, Interest and Money

(c) General Theory of reducing unemployment.

(d) None of these

211. Which one of following is not the model of Keynesian theory of income determination?

(a) The one-sector model

(b) The two-sector model

(c) The three-sector model

(d) The four-sector model

212. Which of the following is not a part of "The Three-sector model" of Keynesian theory of income determination?

(a) Household

(b) Business

(c) Government

(d) Foreign

213. The two-sector model consists of _____ sectors.

(a) Household and Business
(b) Household and Government
(c) Business and Government
(d) Government and Foreign

Circular flow in a simple Two-Sector Model

214. Which of the following Statements about Circular Flow is incorrect?

(a) The circular Flow model demonstrates how money moves through society.
(b) An economy is an endless circular flow of money
(c) Money flows from producers to workers as wages and flows back to producers as payment for products.
(d) All the Statements are correct.

215. The two-sector model breaks the economy down into two primary players namely _____.

(a) Households and corporations
(b) Corporation and Business
(c) Business and Government
(d) Government and Foreign

216. In two sector model, _____ own all factors of production and _____ sell their factor services to earn factor incomes.

(a) Households, Households
(b) Households, Corporations
(c) Corporations, Households
(d) Corporations, Corporations

217. In two sector model, what is the relationship between total Income produced (y) that accrues to the Households and the disposable personal income (Y_d) of households?

(a) $Y > Y_d$
(b) $Y < Y_d$
(c) $Y = Y_d$
(d) Either (a) or (b)

218. Which of the following is true is "Circular Flow in a two sector Economy"?

(a) Factor Payment = Household Income
(b) Household Income = Household Expenditure
(c) Total Receipts of Firms = Value of Output
(d) All of the above

219. As regards "Circular Flow in a Two Sector Economy", _____ refer to the flow of the actual goods or Services while _____ refer to the payment for the Services (wages) or consumption payments.

(a) Real Flows, Money Flows
(b) Money Flows, Real Flows
(c) Real Flows, Circular Flows
(d) Circular Flows, Money Flows.

Basic Concepts and Functions

220. In a simple two-sector economy, the ex ante aggregate demand (AD) for final goods or aggregate expenditure can be calculated as _____

(a) $AD = C + I$
(b) $AD = C + G$
(c) $AD = I + G$
(d) $AD = C + I + G + (X - M)$

221. In a closed economy, AD is a function of Consumption Expenditure(C) and Investment Expenditure (I) of the two components, which accounts for the highest proportion of the GDP?

(*a*) Consumption Expenditure

(*b*) Investment Expenditure

(*c*) Both have equal proportion

(*d*) None of the above

222. Which of the following is the correct expression of the Short-run aggregate demand function?

(*a*) $AD = C + I$

(*b*) $AD = \overline{C} + I$

(*c*) $AD = C + \overline{I}$

(*d*) $AD = \overline{C} + \overline{I}$

223. Which of the following is NOT TRUE about AD in a two-sector economy?

(*a*) AD = Consumption + Saving

(*b*) AD = Consumption + Investment

(*c*) AD = Curve has a positive Slope

(*d*) AD = Curve Starts from same point about origin.

224. In the Keynesian model, equilibrium aggregate output is determined by

(*a*) aggregate demand

(*b*) consumption function

(*c*) the national demand for labour

(*d*) the price level

225. Keynes believed that an economy may attain equilibrium level of output

(*a*) only at the full-employment level of output

(*b*) below the full-employment level of output

(*c*) only if prices were inflexible

(*d*) (*a*) and (*c*) above

226. Which function expresses the functional relationship between aggregate consumption expenditure and aggregate disposable income?

(*a*) Saving Function

(*b*) Consumption Function

(*c*) Disposable Income Function

(*d*) None of these

227. The consumption function is expressed as C = F(y), where Y is disposable income. As per this function, when income is low, consumption expenditure of household will _____ their disposable income and households _____ to purchase consumption goods.

(*a*) exceed, save

(*b*) exceed, dissave

(*c*) be less than, save

(*d*) be less than, dissave

228. As per consumption function, if the disposable income increases, consumers will _____ their planned expenditure but only by _____ than the increase in income.

(*a*) increase, less

(*b*) increase, more

(*c*) decrease, less

(*d*) decrease, more

229. Which of the following is the specific from of consumption-Income relationship (termed as consumption Function) as proposed by Keynes?

(*a*) $C = a + by$

(*b*) $C = a - by$

(c) $C = a + bI$

(d) $C = a - bI$

230. The Keynesian assumption is that consumption increase with an increase in disposable income. If the increase in disposable income is 30%, then what may be the increase in consumption?

(a) Less than 30%

(b) Equal to 30%

(c) More than 30%

(d) Any of the above

231. In the Keynesian Consumption function C = a + by, what may be the value of b?

(a) $b = 0$

(b) $b = 1$

(c) $b > 1$

(d) $0 < b < 1$

232. _____ refers to the ratio of consumption expenditure to the corresponding level of total income.

(a) Average propensity of consume

(b) Marginal propensity of consume

(c) Overall propensity of consume

(d) Moderate propensity of consume

233. If 30% of income is not spent on consumption, then what will be the Average propensity to consume?

(a) 30%

(b) 70%

(c) 130%

(d) None of these

234. The ratio of change in consumption expenditure to change in total income is referred to as_____

(a) APC

(b) MPC

(c) Consumption function

(d) None of these

235. Which of the formula is correct to measure Marginal Propensity to consume (MPC)?

(a) $\frac{C}{I}$

(b) $\frac{C}{Y}$

(c) $\frac{\Delta C}{\Delta I}$

(d) $\frac{\Delta C}{\Delta Y}$

236. What is the graph of saving function called?

(a) Average Propensity to Save

(b) Marginal Propensity to Save

(c) Unitary Propensity to Save

(d) None of the above

237. Identify which one of the following is Correct?

(a) MPC + MPS = 1

(b) MPC – MPS = 1

(c) MPS – MPC = 1

(d) MPS + MPS = 0

238. What will be the value of Average Propensity to Save (APS) When C = 300 at Y = 1,000?

(a) 0.3

(b) 0.7

(c) 1.3

(d) 3.1

239. If APS and Y are 0.375 and 1800, then what will be the value of C?

(a) 375

(b) 675

(c) 1,125

(d) 1,425

240. According to Keynes, consumption expenditure is determined by

(a) the level of interest rates

(b) extent of government taxes and subsidies

(c) disposable income

(d) autonomous investment expenditure

241. The Marginal Propensity to consume (MPC) can be defined as:

(a) a change in spending due to a change in income

(b) a change in income that is saved after consumption

(c) part of income that is spent on consumption

(d) part of income that is not saved

242. If the consumption function is expressed as C = a + bY then b represents:

(a) autonomous consumer expenditure when income is zero

(b) the marginal propensity to consume.

(c) the expenditure multiplier when consumption is increased

(d) part of disposable income

243. If the consumption function is expressed as C = a + bY then a represents

(a) autonomous consumer expenditure

(b) the marginal propensity to consume

(c) the consumption income relationship

(d) Non- linear consumption function

244. If the consumption function is C = 20 + 0.5 Yd, then an increase in disposable income by ₹ 100 will result in an increase in consumer expenditure by ₹ _____

(a) 25

(b) 70

(c) 50

(d) 100

245. _____ is the total supply of goods and services which firms in a national economy plan on selling during a specific time period.

(a) *Ex ante* Aggregate Supply

(b) Planned Aggregate Supply

(c) Projected Aggregate Supply

(d) Both (a) and (b)

246. Which of the following is correct about Aggregate Supply (AS) ?

(a) AS = C + S

(b) AS = C – S

(c) AS = C + I + G

(d) AS = C – I + G

247. When income rises from ₹ 1,000 to ₹ 1,100, saving rises by ₹ 40. What are MPS and MPC?

(a) 0.40 and 0.60

(b) 0.60 and 0.40

(c) 1.40 and 1.60

(d) 1.60 and 1.40

248. The consumption expenditure and investment demand are ₹ 800 Crores and ₹ 350 Crores respectively, when income is ₹ 1,250 Crores. What will be the value of AD, AS and Saving?

(a) ₹ 1,250, ₹ 1150 and ₹ 450

(b) ₹ 1,150, ₹ 1,250 and ₹ 450

(c) ₹ 1,700, ₹ 2,05

(d) None of these

249. The Saving cu
makes a negative
Crores and 30% o
is saved. As regar
of the following

(a) C = – 60 + 0.

(b) C = 60 + 0.7

(c) S = 60 + 0.3

(d) None of the

250. If S = -30 + (
be the Consum

(a) C = 30 + 0.

(b) C = –30 +

(c) C = 30 + 0

(d) C = –30 +

251. If MPC is
consumption
income is ₹ 3
the following

(a) C= 38 +

(b) C = 38 +

(c) S = 38 +

(d) S = 38 +

The two –
ional Inco

252. Which
the equilib
output in t
(under two

(a) Aggre
Suppl

(b) C+I =

(c) I = S

(d) All o

(c) ₹ 1,700, ₹ 2,050 and ₹ 350

(d) None of these

249. The Saving curve of an economy makes a negative intercept of ₹ 60 Crores and 30% of additional income is saved. As regards this data, which of the following is correct?

(a) C = – 60 + 0.3 (y)

(b) C = 60 + 0.7 (y)

(c) S = 60 + 0.3 (y)

(d) None of the above

250. If S = -30 + 0.25 (y), then what will be the Consumption Function (c)?

(a) C = 30 + 0.25 (y)

(b) C = –30 + 0.75 (y)

(c) C = 30 + 0.75 (y)

(d) C = –30 + 0.25 (y)

251. If MPC is one third of MPS and consumption at zero level of national income is ₹ 38 Crores then which of the following option is correct?

(a) C= 38 + 0.25 (y)

(b) C = 38 + 0.75 (y)

(c) S = 38 + 0.25 (y)

(d) S = 38 + 0.75 (y)

The two – Sector Model of National Income Determination

252. Which of the following reflects the equilibrium level of income and output in the Keynesian frame work (under two sector model)?

(a) Aggregate Demand = Aggregate Supply

(b) C+I = C+S

(c) I = S

(d) All of the above

253. If the autonomous consumption equals ₹ 2,000 and the marginal propensity to consume equals 0.8. If disposable income equals ₹ 10,000, then total consumption will be ₹

(a) 8,000

(b) 6,000

(c) 10,000

(d) None of the above

254. In the Keynesian cross diagram, the point at which the aggregate demand function crosses the 45-degree line indicates the

(a) level of full employment income

(b) less than full employment level of income

(c) equilibrium level of income which may or may not be full employment level of income

(d) autonomous level of income which may not be full employment level of income

255. In a closed economy, aggregate demand is the sum of

(a) consumer expenditure, demand for exports and government spending.

(b) consumer expenditure, planned investment spending and government spending.

(c) consumer expenditure, actual investment spending, government spending and net exports.

(d) consumer expenditure, planned investment spending, government spending, and net exports.

256. Under equation C= a+by, b=0.8, what is the value of 2 sector expenditure multiplier?

(a) 4
(b) 2
(c) 5
(d) 1

257. In determination of equilibrium income under two sector model, the aggregate demand curve is linear and positively sloped indicating that as the level of national income _____, the aggregate demand (or aggregate spending) in the economy _____.

(a) rises, falls
(b) falls, rises
(c) rises, also rises
(d) falls, remains constant.

258. According to Keynes, aggregate demand will not always be equal to aggregate supply. Aggregate demand depends on _____ whereas Aggregate supply depends on _____

(a) Household's plan to consume and to save; producer's plan to produce goods and services.
(b) Household's plan to produce; producer's Plan to consume.
(c) Producer's Plan to produce good and services; Household's plan to consume and to save.
(d) Producer's plan to consume, Household's plan to produce.

259. As per Keynesian model of macro economy, if the aggregate demand is for an amount of output less than the full employment level of output, then we say there is deficient demand. This deficient dem. and gives rise to _____

(a) Deflationary Gap
(b) Recessionary Gap
(c) Contractionary Gap
(d) All of the above.

260. Under Keynesian Theory, _____ is the amount by which actual aggregate demand exceeds the level of aggregate demand required to establish the full employment equilibrium.

(a) Inflationary Gap
(b) Deflationary Gap
(c) Contractionary Gap
(d) None of these

261. Consider the following data relating to an economy in equilibrium:

Autonomous Consumption	**= 500**
MPS	**= 0.3**
Investment Expenditure	**= 1000**

What is national income?

(a) 1,500
(b) 5,000
(c) 150
(d) 5,650

262. Given the empirical consumption function C = 100 + 0.75Y and I = 1000, what will be the equilibrium level of national income and also the consumption expenditure at this equilibrium level of national income?

(a) 4400; 3400
(b) 1100; 850
(c) 3300; 2150

(d) None of these

The Investment Multiplier

263. The Investment multiplier explains how many times the equilibrium _____ increases as a result of _____.

(a) aggregate expenditure; an increase in autonomous investment

(b) aggregate income; an increase in Autonomous investment.

(c) aggregate expenditure; a decrease in investment

(d) aggregate income; a decrease in investment.

264. The process behind the investment multiplier can be compared to the _____ of water.

(a) Triple effect

(b) Ripple effect

(c) Initial effect

(d) Double effect

265. Which of the following is the determinant of the value of the investment multiplier?

(a) MPC

(b) APC

(c) TPC

(d) None of these

266. Higher the _____ more will be the value of multiplier, whereas, higher the_____, lower will be the value of multiplier.

(a) MPS, MPC

(b) MPC, MPS

(c) APS, APC

(d) APC, APS

267. The value of investment multiplier is the reciprocal of _____.

(a) APC

(b) APS

(c) MPS

(d) MPC

268. In an economy investment expenditure is increased by ₹ 600 crores and Marginal Propensity to Consume (MPC) is 0.8. What will be the total increase in saving?

(a) 3000

(b) 4000

(c) 600

(d) 500

269. Suppose in a country investment increases by ₹ 320 Crores and consumption is given by C = 45 + 0.6Y (Where C = Consumption and Y = income). How much increases will there take place in income?

(a) ₹ 192

(b) ₹ 365

(c) ₹ 640

(d) ₹ 800

270. An increase in investment by ₹ 1000 Crores leads to increase in national income by ₹ 2500 Crore. What will be Marginal Propensity to Consume (MPC)?

(a) 2.5

(b) 0.6

(c) 0.4

(d) None of these

271. Which of the following formula can be used to find the value of Multiplier (K)?

(a) $K = \frac{\Delta Y}{\Delta I}$

(b) $K = \frac{1}{1 - MPC}$

(c) $K = \frac{1}{MPS}$

(d) Any of the above.

272. In an economy, income generated is four times the increase in investment expenditure. The values of MPC and MPS are _____ and _____ respectively.

(a) 0.75; 0.25

(b) 0.25; 0.75

(c) 1.75; 1.25

(d) None of the above.

273. In an economy, the entire increase in income is spent on consumption. What will be the value of multiplier?

(a) 0

(b) 1

(c) Infinity (∞)

(d) –1

274. In an economy, the actual level of income is ₹ 500 crores, whereas, the full employment level of income is ₹ 800 crores. If one–fourth of additional income is saved, what should be increase in investment required to achieve full employment level of income.

(a) 0.25

(b) ₹ 300 crores

(c) ₹ 75 crores

(d) None of these

275. Consider the following data relating to an economy:

(a) increase in investment = ₹ 3,500 Crores

(b) 80% of the increase in income is spent on consumption.

What will be the total increase in income?

(a) ₹ 2,800

(b) ₹ 7,000

(c) ₹ 17,500

(d) None of these

276. According to the Keynesian theory, the equilibrium level of income in an economy is determined when:

(a) Aggregate Demand = Aggregate Supply

(b) Saving = Investment

(c) Both (a) and (b)

(d) None of these

Determination of equilibrium Income: Three Sector Model

277. Which of the following is not considered in three sector model of closed economy?

(a) Household Consumption

(b) Desired Business Investment Demand

(c) Government Sector's Demand for goods and Services

(d) Foreign Trade

278. In three sector model, there is no foreign trade. Which of the following option is correct in this regard?

(a) GDP = Nati

(b) GDP > Nati

(c) GDP < Nati

(d) None of the

279. Which of rect as regards equilibrium na

(a) AD = AS

(b) AD = Y = A

(c) C + I + G =

(d) All are cor

280. C = 25 + consumption income. Wha multiplier?

(a) 5

(b) 4

(c) 2

(d) Cannot b

281. Conside about a simp

C = 50 + 0.8Y

I = 250 (Inve

G = 100 (Gov

T = 100 (Tax

What will b of National

(a) 1200

(b) 1400

(c) 1600

(d) None

282. The f available re of an econ

(a) GDP = National Income
(b) GDP > National Income
(c) GDP < National Income
(d) None of these

279. Which of the following is correct as regards the determination of equilibrium national income?

(a) AD = AS
(b) AD = Y = AS
(c) C + I + G = C + S + T
(d) All are correct

280. $C = 25 + 0.75\ Y_d$, when C is consumption and Y_d is disposable income. What is the size of the multiplier?

(a) 5
(b) 4
(c) 2
(d) Cannot be determined.

281. Consider the following data about a simple economy:

$C = 50 + 0.8Y_d$

I = 250 (Investment)

G = 100 (Government – Expenditure)

T = 100 (Tax)

What will be the equilibrium level of National Income?

(a) 1200
(b) 1400
(c) 1600
(d) None of these

282. The following Information is available regarding structure model of an economy:

$C = 40 + 0.8Y_d$

I = 80

G = T = 40

TR = 15

Where C = Consumption function
I = Investment
G = Government Expenditure
T = Lump Sum Tax
TR = Autonomous Transfer Payment.

What will be the equilibrium level of income?

(a) 700
(b) 610
(c) 175
(d) None of these

283. In an economy, the tax has been levied as a function of income with Government expenditure and transfer payments. The following data is available:

Consumption function (C) = 400 + 0.75 (Y – T + TR)

Investment (I) = 750

Government Expenditure (G) = 380

Tax (T) = 84 + 0.2Y

Autonomous Transfer Payment (TR) = 200

What is the equilibrium level of income?

(a) 4002.50
(b) 4042.50
(c) 4152.50
(d) 4582.50

Determination of National Income : Four Sector Model

284. In the four sector model, which of the following additional flow is considered as compared with three sector model?

(a) Exports

(b) Imports

(c) Net Capital Inflow

(d) All of the above

285. Which of the following indicates the aggregate demand or the total planned expenditure of consumers, investors, governments and foreigners (Net exports) at each income level?

(a) C + Y + G + (X+ M)

(b) C + I + Tax + TR

(c) C + I + G + (X – M)

(d) None of these

286. In the determination of equilibrium level of national income, which of the following is correct?

(a) Y =C + I + G + (X – M)

(b) C= $a + b$ (Y – T)

(c) M = $\overline{M}$ + mY

(d) All of the above.

287. In four sector model, which of the following formula is used to calculate Foreign Trade Multiplier, if b and m refer to marginal propensity to consume and Marginal propensity to import?

(a) $\frac{1}{1-b-m}$

(b) $\frac{1}{1+b-m}$

(c) $\frac{1}{1-b+m}$

(d) $\frac{1}{1+b+m}$

288. Consider the following:

Consumption function (C) = 40 + $0.8Y_d$

T= 0.1Y

I = 60 crores

G = 40 Crores

X = 58

M = 0.05Y

What will be the equilibrium level of income?

(a) 800 crores

(b) 603 crores.

(c) 545 crores

(d) None of these

289. C = 60 + $0.9Y_d$

I = 10

M = 10 + 0.05Y

What is Foreign Trade Multiplier?

(a) 0.98

(b) 3.97

(c) 6.66

(d) None of these

290. Equilibrium income (Y) = 600

Exports (×) = 20

Imports (M) = 10 + 0.05Y

Calculate Trade Balance.

(a) Surplus (20)

(b) Deficit (20)

(c) Surplus (30)

(d) Deficit (30)

Answe

1.	
8.	
15.	
22.	
29.	
36.	
43.	
50.	
57.	
64.	
71.	
78.	
85.	
92.	
99.	
106.	
113.	
120.	
127.	
134	
141	
148	
155	
162	
169	
176	
183	
190	
197	
204	
211	
218	
225	
232	

Answers

1.	(a)	2.	(d)	3.	(b)	4.	(d)	5.	(a)	6.	(a)	7.	(b)
8.	(d)	9.	(a)	10.	(c)	11.	(a)	12.	(b)	13.	(b)	14.	(a)
15.	(c)	16.	(a)	17.	(a)	18.	(a)	19.	(b)	20.	(a)	21.	(b)
22.	(b)	23.	(a)	24.	(b)	25.	(b)	26.	(b)	27.	(a)	28.	(d)
29.	(a)	30.	(b)	31.	(b)	32.	(c)	33.	(b)	34.	(a)	35.	(a)
36.	(a)	37.	(b)	38.	(b)	39.	(a)	40.	(d)	41.	(a)	42.	(b)
43.	(c)	44.	(a)	45.	(b)	46.	(d)	47.	(b)	48.	(a)	49.	(a)
50.	(c)	51.	(b)	52.	(a)	53.	(c)	54.	(a)	55.	(a)	56.	(a)
57.	(b)	58.	(d)	59.	(a)	60.	(c)	61.	(d)	62.	(c)	63.	(a)
64.	(a)	65.	(d)	66.	(d)	67.	(d)	68.	(a)	69.	(c)	70.	(a)
71.	(b)	72.	(c)	73.	(c)	74.	(d)	75.	(a)	76.	(a)	77.	(b)
78.	(c)	79.	(c)	80.	(d)	81.	(c)	82.	(a)	83.	(c)	84.	(b)
85.	(a)	86.	(d)	87.	(b)	88.	(a)	89.	(c)	90.	(c)	91.	(a)
92.	(c)	93.	(b)	94.	(c)	95.	(c)	96.	(d)	97.	(a)	98.	(d)
99.	(b)	100.	(d)	101.	(c)	102.	(c)	103.	(a)	104.	(b)	105.	(c)
106.	(d)	107.	(a)	108.	(d)	109.	(a)	110.	(a)	111.	(b)	112.	(a)
113.	(b)	114.	(b)	115.	(a)	116.	(d)	117.	(c)	118.	(c)	119.	(d)
120.	(c)	121.	(b)	122.	(b)	123.	(a)	124.	(a)	125.	(c)	126.	(d)
127.	(b)	128.	(c)	129.	(c)	130.	(c)	131.	(b)	132.	(b)	133.	(d)
134.	(b)	135.	(c)	136.	(c)	137.	(c)	138.	(b)	139.	(b)	140.	(b)
141.	(b)	142.	(d)	143.	(d)	144.	(c)	145.	(c)	146.	(b)	147.	(b)
148.	(d)	149.	(d)	150.	(b)	151.	(b)	152.	(a)	153.	(c)	154.	(c)
155.	(d)	156.	(a)	157.	(b)	158.	(d)	159.	(a)	160.	(d)	161.	(d)
162.	(d)	163.	(b)	164.	(a)	165.	(b)	166.	(b)	167.	(c)	168.	(c)
169.	(a)	170.	(d)	171.	(c)	172.	(c)	173.	(d)	174.	(d)	175.	(b)
176.	(a)	177.	(b)	178.	(d)	179.	(d)	180.	(b)	181.	(c)	182.	(b)
183.	(c)	184.	(b)	185.	(b)	186.	(b)	187.	(d)	188.	(d)	189.	(c)
190.	(c)	191.	(a)	192.	(c)	193.	(a)	194.	(b)	195.	(b)	196.	(d)
197.	(c)	198.	(a)	199.	(d)	200.	(c)	201.	(d)	202.	(d)	203.	(d)
204.	(b)	205.	(b)	206.	(d)	207.	(d)	208.	(a)	209.	(c)	210.	(b)
211.	(a)	212.	(d)	213.	(a)	214.	(d)	215.	(a)	216.	(a)	217.	(c)
218.	(d)	219.	(a)	220.	(a)	221.	(a)	222.	(c)	223.	(a)	224.	(a)
225.	(b)	226.	(b)	227.	(b)	228.	(a)	229.	(a)	230.	(a)	231.	(d)
232.	(a)	233.	(b)	234.	(b)	235.	(d)	236.	(b)	237.	(a)	238.	(b)

239.	(c)	240.	(c)	241.	(a)	242.	(b)	243.	(a)	244.	(c)	245.	(d)
246.	(a)	247.	(a)	248.	(b)	249.	(b)	250.	(c)	251.	(a)	252.	(d)
253.	(c)	254.	(c)	255.	(b)	256.	(c)	257.	(c)	258.	(a)	259.	(d)
260.	(a)	261.	(b)	262.	(a)	263.	(b)	264.	(b)	265.	(a)	266.	(b)
267.	(c)	268.	(c)	269.	(d)	270.	(b)	271.	(d)	272.	(a)	273.	(c)
274.	(c)	275.	(c)	276.	(c)	277.	(d)	278.	(a)	279.	(d)	280.	(b)
281.	(c)	282.	(a)	283.	(b)	284.	(d)	285.	(c)	286.	(d)	287.	(c)
288.	(b)	289.	(c)	290.	(b)								

Hints of selected question

18. The GDP deflator is used to take inflation out of GDP.

$$\text{Real GDP} = \frac{\text{Nominal GDP}}{\text{GPD Deflator}} \times 100$$

20.

$$\text{Real GDP} = \frac{\text{Nominal GDP}}{\text{GDP Deflator}} \times 100$$

$$= \frac{1150}{143.75} \times 100$$

$$= 800 \text{ Units.}$$

21.

$$\text{GDP Deflator} = \frac{\text{Nominal GDP}}{\text{Real GDP}} \times 100$$

But, nominal GDP = Real GDP in Base Year.

Therefore, GDP Deflator in base year will be equal to 100.

23. The price level has fallen since GDP Deflator is less than 100 at 78.49.

24.

$$\text{Nominal GDP} = \text{Real GDP} \times \frac{\text{Price Index}}{100}$$

$$= \frac{475 \times 118}{100}$$

$$= 560.5$$

(d)
(d)
(d)
(b)
(c)
(b)
(c)

25.

$$\text{Real GDP} = \frac{\text{GDP for C. Year} \times 100}{\text{Current year Index}}$$

$$= \frac{1200 \times 100}{110} = 1090.9 \text{ Crores.}$$

$$\text{GDP Deflator} = \frac{\text{Nominal GDP}}{\text{Real GDP}} \times 100$$

$$= \frac{1200}{1090.9} \times 100 = 110$$

26.

$$\text{Real GDP} = \frac{\text{Nominal GDP} \times 100}{\text{Current Price Index}}$$

$$\Rightarrow \text{Current Price Index} = \frac{\text{Nominal GDP} \times 100}{\text{Real GDP}}$$

$$= \frac{540 \times 100}{450} = 120$$

28. If the GDP Deflator is greater than 100, then Nominal GDP is greater than Real GDP.

31. If the GDP deflator next year is less than GDP deflator this year, than the price level has fallen.

35. The basis of distinction between "gross" and "Net" is depreciation.

Net = Gross – Depreciation

70. NDP at FC = GNP_{MP} – Dep. – NFIA – NIT

= 9,500 – 540 – 410 – 630

= ₹ 7,920 Crores.

71. GNP_{FC} = NDP_{MP} + Depreciation – Net Indirect Taxes – Net Factor Income from Abroad

= 6,400 + 10% of 6,000 – (290-30) + (500 – 650)

= 6,400 + 600 – 260 – 150

= ₹ 6,590 Crores.

72. GNP_{FC} = NDP_{MP} + Consumption of fixed capital + (Factor Income from Abroad – Factor Income to abroad) – (Indirect Taxes – Subsidies).

35,600 = 32,000 + 3,900 + (600 – 750) – (210 – Subsidies)

35,600 = 35,540 + subsidies

Subsidies = 35,600 – 35,540 = ₹ 60 Crores.

73. GDP_{MP} = NNP_{FC} + Consumption of fixed capital –Net Factor Income from abroad + Net Indirect Taxes

7,000 = 6,250 + Consumption of fixed capital – 150 + 250

7,000 = 6,350 + Consumption of fixed capital

Consumption of fixed capital = 7,000 – 6,350 = ₹ 650 Crores.

74. GDP_{MP} = Compensation of Employees + Mixed Income of Self Employed + Operating Surplus + Depreciation + Net Indirect taxes

= 1,200 + 1,320 + 2,400 + 480 + 540 = ₹ 5,940 Crores.

GNP_{MP} = GDP_{MP} + NFIA = 5,940 + (-60) = ₹5,880 Crores

NNP_{MP} = GNP_{MP} – Dep. = 5,880 – 480 = ₹ 5,400 Crores

NNP_{FC} = NNP_{MP} – NIT = ₹ 5,400 – ₹ 540 = ₹ 4,860 Crores

75. NNP at MP = NNP at FC + Indirect Taxes – Subsidies

Subsidies = NNP_{FC} + Indirect Taxes – NNP_{MP}

= 14,980 + 335 – 15,053

= ₹ 262 crores

Net Indirect Taxes = Indirect Tax – Subsidies

= 335 – 262

= ₹ 73 crores.

76. GDP_{FC} = GDP_{MP} – NIT

= 1900 – 210 = ₹ 1690 Crores

GNP_{FC} = GDP_{FC} + NFIA

= 1690 + 107 = ₹ 1797 Crores

NNP_{FC} = GNP_{FC} – Depreciation

₹ 1,671 = ₹ 1,797 –Depreciation

Depreciation = ₹ 1,797 – ₹ 1,671

= ₹ 126 Crores.

77. NI = NNP_{FC} = NNP_{MP} – Net Indirect Taxes.

= 2850 – 177 = ₹ 2,673 Crores.

78. Domestic Income = NDP_{FC}

= GNP_{MP} – Net Factor Income from abroad – Depreciation – (Indirect Tax – Subsidies)

= 58,350 – (–240) – 1,625 – (2,590 – 1,540)

= ₹ 55,915 Crores.

81. The Option (*c*) is incorrect because flow is a dynamic concept.

187. National income estimated on the basis of all the three methods, amounts to be the same. Thus, national income, national product and national expenditure are always same. This is known as "Triple Identity".

189. Value of Output = Sales + Change in Stock

= 1050 + ₹ (600 – 750) = ₹ 900

GVA_{MP} = Value of Output – Intermediate Consumption

= 900 – 525 = ₹ 375

National Income = NVA_{FC}

= GVA_{MP} – Dep. + NFIA – Net Indirect Tax

= 375 – 225 + 45 – (165 – 75)

= ₹ 105 Crores.

190. GVA_{MP} = Sales + Change in Stock – Intermediate Consumption

= 900 + (60 – 80) – 400

= ₹ 480 Crores

NVA_{MP} = GVA_{MP} – Depreciation

= 480 – 60 = ₹ 420 Crores

NVA_{FC} = NVA_{MP} – (Indirect Tax – Subsidies)

= 420 – (90 – 30)

= ₹ 360 Crores.

192. GDP_{MP} = Private Final Consumption Expenditure + Government Final Consumption Expenditure + Gross domestic Capital Formation (Net domestic Capital Formation + depreciation) + Net Expert

= 1,500 + 825 + (577 + 98) + 22

= ₹ 3,022 Crores

NNP_{FC} (NI) = GDP_{MP} – Depreciation + NFIA – NIT

= 3,022 – 98 + 15 – 900

= ₹ 2,039 Crores.

193. GDP_{MP} = Government Final Consumption Expenditure (Public Final Consumption Expenditure) + Private Final Consumption Expenditure + Gross Domestic Capital Formation (Gross Domestic Fixed Capital Formation + Change Stock + Net acquisition of Valuables) + Net Export.

= 22 + 45 + (1575 + 135+ 45) + (–90) = ₹ 1,732 Crores

NNP_{FC} = GDP_{MP} – Dep. + Net factor income from abroad (Income from abroad – Income paid to abroad) – Net Indirect Tax (Indirect Tax – Subsidies)

= 1732 – 135 + (0 – 90) – (0 – 450) = ₹ 1,957 Crores

194. GDP_{FC} = Compensation of Employees + Rent + Interest + Profit + Mixed Income + (Gross Domestic Capital Formation – Net Domestic Capital Formation)

= 2250 + 600 + 675 + 975 + Nil + (675 – 600)

= ₹ 4,575 Crores

$GDP_{MP} = GDP_{FC}$ + Net Indirect Taxes

= ₹ 4,575 + ₹ 225

= ₹ 4,800 Crores.

220. Although AD has four components, but in two-sector model (closed economy), AD is a function of only consumption Expenditure and investment expenditure.

222. In a simple economy, the variable I is assumed to be determined exogenously and constant in the short term. This Constant Investment is denoted by $\bar{I}$.

227. When income is less than consumption, the gap is covered by dissaving. (*i.e.*, either by borrowing money or by drawing from past savings).

230. As per Keynesian theory, the increase in consumption will be less than the increase in disposable income.

233. It means 70% of the income is spent on consumption. Therefore, APC= 0.70 or 70%

234.

$$MPC = \frac{\text{Change in Consumption } (\Delta C)}{\text{Change in Income } (\Delta Y)}$$

238. S = Y-C = 1000 – 300 = 700

$$APS = \frac{S}{Y} = \frac{700}{1000} = 0.7$$

239. $APS = \frac{S}{Y} \Rightarrow 0{,}375 = \frac{S}{1800}$

S = 675

$S = Y - C \Rightarrow C = Y\text{-}S$

C=1800 – 675 = 1,125

246. Aggregate supply is equal to the national income of the economy, which is either consumed or saved. Therefore, AS = C + S

247.

$$MPS = \frac{\text{Change in Saving}}{\text{Change in Income}}$$

$= \frac{40}{1100-1000} = \frac{40}{100} = 0.40$

MPC = 1 – MPS = 1 – 0.40 = 0.60

248.

(*i*) AD = C + I = ₹ 800 + ₹ 350, = ₹ 1,150 Crores

(*ii*) AS = National Income (Y) = ₹ 1,250 Crores.

(*iii*) Saving (s) = Y – C = ₹ 1,250 – ₹ 800 = ₹ 450 Crores

249.

Given: Autonomous Consumption (*c*) = ₹ 60 Crores

MPS (1 – b) = 0.3

Saving Function:

$S = -\bar{C} + (1 - b)\, y$

$= -60 + 0.3(y)$

Consumption Function:

$C = \bar{C} + b\,(y)$

$= 60 + 0.7\,(y)$

250. S = –30 + 0.25 (y)

Given: Autonomous Consumption ($\bar{c}$) = 30

MPS (1 – *b*) = 0.25

It means: MPC = 1 – MPS = 1 – 0.25 = 0.75

$C = \bar{C} + b(y)$

$= 30 + 0.75\,(y)$

251.

Given MPC = $\frac{1}{3}$ MPS

We know that MPC + MPS = 1

Putting value of MPC , we get

(1-MPS) = $\frac{1}{3}$ MPS

3-3 MPS = MPS

4 MPS = 3

MPS = $\frac{3}{4}$ = 0.75

(*b*) MPC = 1 – MPC = 0.25

Autonomous Consumption ($\bar{C}$) = ₹ 38 Crores

$C = \bar{C} + b\,(y) = 38 + 0.25\,(y)$

$S = -\bar{C} + (1\text{-}b)\,(y) = -38 + 0.75\,(y)$

252.

Aggregate Demand = C + I

Aggregate supply = C+ S

At equilibrium level

AD = AS

C + I = C + S

I = S

Therefore, all the options are correct.

261.

$$C = \bar{C} + MPC\,(y)$$
$$= \bar{C} + (1 - MPS)(y)$$
$$= 500 + (1 - 0.3)y$$
$$y = C + I$$
$$= 500 + (0.7)(y) + 1000$$
$$= 1500 + 0.7y$$
$$0.3Y = 1500$$
$$Y = \frac{1500}{0.3} = 5000$$

262.

$C = 100 + 0.75y$

$I = 1000$

In Equilibrium, $Y = C + I$

$Y = 100 + 0.75Y + 1000$

$Y = 1100 + 0.75Y$

$Y - 0.75Y = 1100$

$0.25\,Y = 1100$

$$Y = \frac{1100}{0.25} = 4400$$

Also, $Y = C+I$

$C = Y-I$

$= 4400 - 1000$

$= 3400$

265. There exists a direct relationship between MPC and the value of the multiplier.

267.

$$\text{Multiplier} = \frac{1}{\text{MPS}} \text{ or } \frac{1}{1-\text{MPC}}$$

268. MPC = 0.8

MPS = 1-08 = 0.2

$$\text{Multiplier (k)} = \frac{1}{\text{MPS}} = \frac{1}{0.2} = 5$$

Increase in Income (ΔY) = $K \times \Delta I = 5 \times 600 = 3000$ Crores

Increase in Saving (ΔS) = $\Delta Y \times MPS$

$= 3000 \times 0.2$

$= 600$ Crores.

269. MPC = 0.6 [From Consumption Function]

$$\text{Multiplier (K)} = \frac{1}{1-\text{MPC}} = \frac{1}{1-0.6} = 2.5$$

Change in Income (ΔY) = Multiplier (K) × Change in Investment (ΔI)

$\Delta Y = 2.5 \times 320 =$ ₹ 800 Crores.

Thus, increase in investment by ₹ 320 Crores will cause equilibrium income to rise by ₹ 800 Crores.

270. Multiplier (K) $= \frac{\Delta Y}{\Delta I}$

$= \frac{₹\ 2500}{₹\ 1000} = 2.5$

We know that,

$$\text{Multiplier (K)} = \frac{1}{\text{MPS}}$$

$$2.5 = \frac{1}{\text{MPS}}$$

$$\text{MPS} = \frac{1}{2.5}$$

$= 0.4$

$MPC = 1 - MPS$

$= 1 - 0.4$

$= 0.6$

272. Increase in Income (ΔY) = 4 Increase in Investment (ΔI)

$\Delta Y = 4\,\Delta I$

$\frac{\Delta Y}{\Delta I} = 4 =$ Multiplier (K)

$$\text{Multiplier (K)} = \frac{1}{1 - MPC}$$

$$4 = \frac{1}{1 - MPC}$$

$$1 - MPC = \frac{1}{4} = 0.25$$

$$MPC = 0.75$$

$$MPS = 1 - MPC = 1 - 0.75 = 0.25$$

273. $\Delta Y = \Delta C$

i.e $MPC = 1$

$$\text{Multiplier (K)} = \frac{1}{1 - MPC} = \frac{1}{0} = \infty$$

274. One-fourth of additional income is saved.

It means $MPS = \frac{1}{4} = 0.25$

$$\text{Multiplier (K)} = \frac{1}{MPS} = \frac{1}{0.25} = 4$$

$$\text{Multiplier (K)} = \frac{\text{Change in Income } (\Delta Y)}{\text{Change in Investment } (\Delta I)}$$

Change in income (ΔY) = 800 – 500 = ₹ 300 crores

$$4 = \frac{300}{\Delta I}$$

$$\Delta I = \frac{300}{4} = ₹\ 75 \text{ Crores}$$

Hence, change in investment should be ₹ 75 crores to achieve full employment level in income.

275. 80% of Increase in income is spent on Consumption.

$MPC = 0.80$

$$\text{Multiplier (K)} = \frac{1}{1 - MPC} = \frac{1}{1 - 0.8} = \frac{1}{0.2} = 5$$

$$\text{Multiplier (K)} = \frac{\text{Change in Income } (\Delta Y)}{\text{Change in Investment } (\Delta I)}$$

$\Delta Y = (K)\ (\Delta I)$

$= 5 \times 3500$

$= ₹\ 17{,}500$ crores.

280. MPC = 0.75 (Given is Consumption function)

$$K = \frac{1}{1-MPC} = \frac{1}{1-0.75} = \frac{1}{0.25} = 4$$

281. $C = 50 + 0.8Y_d$

$Y = C + I + G$

$= 50 + 0.8Y_d + 250 + 100$

$= 400 + 0.8Y_d$

$= 400 + 0.8\ (Y - 100)$

$= 320 + 0.8Y$

$$Y = \frac{320}{0.2} = 1600$$

282. $Y = C + I + G$

$= 40 + 0.8Y_d + 80 + 40$

$= 160 + 0.8Y_d$

$= 160 + 0.8\ [Y - T + TR]$

$= 160 + 0.8\ [Y - 40 + 15]$

$= 160 + 0.8\ [Y - 25]$

$= 160 - 20 + 0.8Y$

$= 140 + 0.8Y$

$$Y = \frac{140}{0.2} = 700$$

283 $C = a + b\ (Y - \overline{T} - tY + TR)$

$= 400 + 0.75\ [Y - (84 + 0.2Y) + 200]$

$= 400 + 0.75\ [Y - 84 - 0.2Y + 200]$

$= 400 + 0.75\ [0.8Y + 116]$

$= 400 + 0.6Y + 87$

$= 487 + 0.6Y$

$Y = C + I + G$

$= 487 + 0.6Y + 750 + 380$

$= 1617 + 0.6Y$

$0.4Y = 1617$

$$Y = \frac{1617}{0.4} = 4042.50$$

288.

$$C = 40 + 0.8Y_d$$
$$= 40 + 0.8(Y - 0.1Y)$$
$$= 40 + 0.8\,(0.9Y)$$
$$I = 60$$
$$G = 40$$
$$X = 58$$
$$M = 0.05Y$$
$$(X - M) = 58 - 0.05Y$$

Equilibrium level of Income (Y) will be:

$$Y = C + I + G + (X - M)\,Y$$
$$= 40 + 0.8\,(0.9Y) + 60 + 40 + (58 - 0.05Y)$$
$$= 198 + 0.72Y - 0.05Y$$
$$= 198 + 0.67Y$$
$$Y - 0.67Y = 198$$
$$0.33Y = 198$$
$$Y = \frac{198}{0.33} = 603$$

289. Foreign Trade multiplier

$$= \frac{1}{1 - b + m}$$
$$= \frac{1}{1 - 0.9 + 0.05} = \frac{1}{0.15}$$
$$= 6.66$$

290 Trade Balance = $X - M = 20 - 10 - 0.05\,(600) = -20$

Thus, trade balance is in deficit (20).