

BRAHMASTRA SERIES

Chapter : 6

DETERMINATION OF NATIONAL INCOME

1. National income is a concept of
 - (a) macro – economics
 - (b) micro - economics
 - (c) both (a) and (b)
 - (d) none of these

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 politics and evaluating them.
 - (d) All of the above.

5. _____ is a government bookkeeping system the measures a country's economic activity – offering in sight into how an economy is performing.
 - (a) National income accounting
 - (b) Economy accounting
 - (c) National inflow accounting
 - (d) Net income accounting

6. National income statistics provide a _____ basis for macro economic modeling and analysis.
- (a) Quantitative (b) Qualitative
(c) Descriptive (d) Analytical
7. Gross Domestic Product at Market Price (GDP_{MP}) refers gross market value of all _____ goods and services produced within 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) $NDP_{MP} = GDP_{MP} - \text{Depreciation}$
(b) $NDP_{MP} = GDP_{MP} + \text{Depreciation}$
(c) $NDP_{MP} = GDP_{MP} - \text{Net Indirect Taxes}$
(d) $NDP_{MP} = GDP_{MP} + \text{Net Indirect Taxes}$

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. Joseph had a shoe company in US. The profits earned from its manufacturing unit operating in India will come under _____
- (a) GDP of India and GNP of US
 - (b) GDP of US and GNP of India
 - (c) GNP of US and GNP of India
 - (d) GDP of US and GDP of India
14. GDP_{MP} may be regarded as _____
- (a) National GDP
 - (b) National GDP
 - (c) Real GDP
 - (d) Aggregate GDP
15. _____ 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
16. The formula for computing Real GDP is _____
- (a) GDP for the current year \times Base Year (100)
 - (b) GDP for the Base Year \times Current year Index
 - (c) $\frac{\text{GDP for the Current year} \times \text{Base year (100)}}{\text{Current year index}}$
 - (d) $\frac{\text{GDP for the Current year} \times \text{Current year Index}}{\text{Base year (100)}}$

17. GDP at current prices means

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

18. If nominal GDP and real GDP for the year 2015 are Rs.5000 crores and Rs.6700 crores respectively, then what will be the impact on change on prices with respect to base year ?

- (a) Prices will fall (b) Prices will rise
(c) Not defined as base is year not given (d) No effect on prices

19. 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) $(\text{Nominal GDP} - \text{Real GDP} \times 100)$ [®]

20. 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.

21. 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

22. 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

23. 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

24. 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 \geq Real GDP
25. 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
26. 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
27. The nominal GDP of a company in the base year is given at Rs.600 crores. In the current year, the nominal GDP increases to Rs.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
28. What is the price index of the current year of nominal and real GDP for current year are 540 and 450 respectively ?
- (a) 100
 - (b) 120
 - (c) 83.33
 - (d) None of these

Using the following information :

Year	Nominal GDP in Crores (Rs.)	Real GDP in Crores (Rs.)
2020	600	600
2021	1050	650
2022	1250	850
2023	1500	940

29. Calculate the GDP deflator for the years 2022 and 2023.
- (a) 147.06 & 159.57
 - (b) 100 & 161.54
 - (c) 68 & 62.67
 - (d) 400 & 560

30. The inflation rate between the years 2022 and 2023 is _____
(a) – 7.84 (b) – 8.51 (c) 8.51 (d) 7.84

Instruction for Question (31 to 35)

Consider the following data and answer the questions 31 – 35

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

31. Which year is the base year ?
(a) 2019 (b) 2020 (c) 2021 (d) None of the above
32. In which year the nominal GDP is greater than real GDP ?
(a) 2020 (b) 2020 – 21 (c) 2020 – 22 (d) 2020 – 23
33. In which year the nominal GDP and real GDP are the same ?
(a) 2019 (b) 2020 (c) 2021 (d) None of these
34. 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
35. In which year, the price level has fallen ?
(a) 2022 (b) 2022 – 23 (c) 2020 (d) 2020 – 21
36. 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) & (b) (d) none of the above
37. Gross Domestic Product (GDP) of any nation.
(a) excludes capital consumption and intermediate consumption
(b) is inclusive of capital consumption or depreciations
(c) is inclusive indirect taxes but excludes subsidies
(d) none of the above

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

- (a) $GDP_{MP} + \text{Net Factor income from abroad}$
- (b) $GDP_{MP} - \text{Net Factor income from abroad}$
- (c) $GDP_{MP} - \text{Depreciation}$
- (d) $GDP_{MP} + \text{Net Indirect Taxes}$

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

- (a) $NDP_{MP} = GDP_{MP} - \text{Depreciation}$
- (b) $NDP_{MP} = GDP_{MP} + \text{Depreciation}$
- (c) $GDP_{MP} = NDP - \text{Depreciation}$
- (d) None of these

40. Choose the correct statement.

- (a) GNP includes earnings of Indian corporation overseas and Indian residents working overseas ; but GDP does not include these.
- (b) $NNP_{PC} = \text{national Income} = \text{FID (Factor income earned in domestic territory)} - \text{NFIA}$.
- (c) Capital goods and inventory investment are excluded from computation of GDP
- (d) $NDP_{MP} = GDP_{MP} + \text{Depreciation}$

41. When NFIA is positive, then

- (a) $GNP_{MP} > GDP_{MP}$
- (b) $GNP_{MP} < GDP_{MP}$
- (c) $GDP_{MP} > GNP_{MP}$
- (d) $GDP_{MP} < GNP_{MP}$

42. 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

43. Which of the following formula is correct for computation of GNP at market price ?
- (a) $GNP_{MP} = GDP_{MP} + \text{Depreciation}$
 - (b) $GNP_{MP} = GDP_{MP} + \text{Net factor income from aboard}$
 - (c) $GNP_{MP} = GDP_{MP} - \text{Depreciation}$
 - (d) $GNP_{MP} = GDP_{MP} - \text{Net factor income from aboard}$
44. Which is the distinction between “national” and “domestic” ?
- (a) National = domestic + net factor income from aboard.
 - (b) National = domestic – net factor income from aboard.
 - (c) Domestic = National + Net factor income from aboard
 - (d) None of the above
45. Which of the following is correct ?
- (a) $NNP_{MP} = GNP_{MP} - \text{depreciation}$
 - (b) $NNP_{MP} = NDP_{MP} + \text{Net factor income from aboard.}$
 - (c) $NNP_{MP} = GDP_{MP} + \text{Net factor income from aboard.}$
 - (d) All of the above
46. What is the basis of distinctions between market price and factor cost ?
- (a) Market Price = Factor cost + Indirect Taxes – Subsidies
 - (b) Market price = Factor cost + Indirect Taxes – Subsidies
 - (c) Market Price = Factor cost – Indirect Taxes
 - (d) None of the above
47. 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)

48. 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

49. 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

50. 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

51. 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

52. _____ 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

53. Consider the following statements.

- (i) $NNP \text{ (at market price)} = GNP \text{ (at market price)} - \text{Depreciation}$
- (ii) $NNP \text{ (at factor cost)} = NNP \text{ (at market price)} - \text{indirect taxes} + \text{subsidies}$.

Which of the following is CORRECT ?

- (a) both (i) and (ii) are TRUE
- (b) (i) is TRUE and (ii) is FALSE
- (c) (i) FALSE and (ii) is TRUE
- (d) both (i) and (ii) are FALSE

54. What is the formula to compute operating surplus ?

- (a) $\text{Gross value added at factor cost} - \text{compensation of employees} - \text{depreciation}$
- (b) $\text{Gross value added at factor cost} + \text{compensation of employees} + \text{depreciation}$
- (c) $\text{Gross value added at market price} - \text{compensation of employees}$
- (d) $\text{Gross value added at factor cost} - \text{compensation of employees} + \text{depreciation}$

55. The formula to compute GDP at factor cost is :

- (a) $GDP \text{ at factor cost} - \text{Indirect taxes} - \text{subsidies}$
- (b) $GDP \text{ at market price} - \text{indirect taxes}$
- (c) $GDP \text{ at market price} - \text{indirect taxes} + \text{subsidies}$
- (d) $GDP \text{ at factor cost} + \text{indirect taxes} - \text{subsidies}$

56. GDP at market Price =

- (a) $GDP \text{ at factor cost plus net indirect taxes}$
- (b) $NNP \text{ at market price minus indirect taxes}$
- (c) $GNP \text{ at market price plus net factor income from abroad}$
- (d) None

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

- (a) Net Sales
- (b) Depreciation
- (c) Net Profit
- (d) Net Loss

58. Normally, NNP at market prices 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.

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

- (a) 110%
- (b) 111%
- (c) 90%
- (d) 10%

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

GNP at MP	: Rs.15,000
Depreciation	: Rs.1,000
NFIA	: Rs.800
Net Indirect Taxes	: Rs.1,500

- (a) Rs.11,700
- (b) Rs.16,000
- (c) Rs.16,800
- (d) none of these

61. 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

62. 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 Price) = Gross Domestic Product (at market price) – Depreciation
- (c) Net Domestic Product (at market Price) = Gross Domestic Product (at market price) + Depreciation
- (d) Gross Domestic Product (at factor cost) = Net Domestic Product (at factor cost) – Depreciation

63. Which of the following represent National Income ?

- (a) NNP at MP
- (b) NNP at FC
- (c) GNP at MP
- (d) GNP at FC

64. In which type if economy, domestic income is equal to national income ?

- (a) Flexible Economy
- (b) Rigid Economy
- (c) Open Economy
- (d) Closed Economy

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

- (a) Compensation of employees
- (b) Interest
- (c) Royalty
- (d) Rent

66. 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 market price – compensation of employees

67. The ratio [(nominal GDP) / (Real GDP)] is known as :

- (a) Wholesale Price Index
- (b) GNP deflator
- (c) Consumer price index
- (d) GDP deflator

68. 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

69. 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

70. Income received by household sector including non – profit institution serving household is called _____

- (a) Per capita income (b) Personal income
(c) National income (d) Disposal income

71.

Private Income	:	Rs.10,000
Undistributed Corporate Profits	:	Rs.2,000
Profit Taxes	:	Rs.500

What is Personal Income ?

- (a) Rs.7,500 (b) Rs.8,000 (c) Rs.8,500 (d) Rs.10,000

72. 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 income is more than domestic income

73. 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 (b) above

74. 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

75. 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

76. What is the relationship of disposable personal income (DI) and Personal income (PI) ?

- (a) $DI = PI + \text{personal income taxes} + \text{non - tax payments}$
- (b) $DI = PI - \text{personal income taxes} + \text{non - tax payments}$
- (c) $DI = PI - \text{personal income taxes} - \text{non - tax payments}$
- (d) None of the above

77. Disposable personal income

- (a) Total personal income left after tax deduction at source
- (b) Personal income – direct taxes paid by individual – indirect taxes paid by individual
- (c) Personal income – personal income taxes – non – tax payments
- (d) Personal income – indirect taxes paid by individual

78. Consider the following data :

Particulars	Rs. in Crores
GNP at MP	9,500
Depreciation	540
Net Factor income from abroad	410
Net indirect taxes	630

Calculate NDP at FC.

- (a) Rs.7,920
- (b) Rs.8,500
- (c) Rs.8,960
- (d) None of these

79. The net domestic product at market price of an economy is Rs.6,400 crores. The capital stock is worth Rs.6,000 crores and its depreciation at the rate of 10% p.a. indirect taxes amounted to Rs.290 crores, subsidies amounted to Rs.30 crores, factor income from the rest of the world is Rs.500 crores & to rest of the world is Rs.650 crores. What will be GNP_{FC} ?
- (a) Rs.7,190 crores (b) Rs.6,590 crores
(c) Rs.6,330 crores (d) Rs.6,180 crores

80. Consider the following information :

Particulars	Rs. 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) Rs.40 crores (b) Rs.50 crores
(c) Rs.60 crores (d) none of these
81. Calculate consumption of fixed capital from the following data :

Particulars	Rs. 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) Rs.450 crores (b) Rs.550 crores
(c) Rs.650 crores (d) none of these

82. Consider the following data :

Particulars	Rs. 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 = Rs.5,940 Crores
- (b) GNP at MP = Rs.5,880 Crores
- (c) NNP at MP = Rs.5,400 Crores
- (d) NNP at FC = Rs.5,940 Crores

83. $NNP_{MP} = \text{Rs. } 15,053$ Crores Indirect Taxes = Rs. 335 Crores

$NNP_{FC} = \text{Rs. } 14,980$ Crores

What will be the amount of subsidies and net indirect taxes ?

- (a) Rs.262 crores & 73 Crores
- (b) Rs. 73 Crores & 262 Crores
- (c) Rs. 335 Crores & 189 Crores
- (d) Rs. 189 Crores & 335 Crores

84. The GDP at market price of a country in a particular year was Rs. 1,900 crores. The National Income and Net factor income from abroad were Rs.1671 crores and Rs. 107 crores. If the value of Net indirect taxes was Rs.210 crores. What is aggregate value of depreciation ?

- (a) Rs.126 Crores
- (b) Rs. 142 Crores
- (c) Rs. 336 Crores
- (d) none of these

85. $NNP_{MP} = \text{Rs.}2,850$ Crores

Indirect Taxes = Rs.209 Crores

Subsidies = Rs.32 Crores

Net Indirect Taxes = Rs.177 Crores

Saving of Private corporate sector = Rs. 28 Crores.

Personal Income = Rs. 2,215 Crores

What is the amount of national income ?

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

86. $GNP_{MP} = \text{Rs.}58,350$ Crores

Depreciation Rs.1,625 Crores

Subsidies = Rs.1,540 Crores

Indirect Tax = Rs.2,590 Crores.

Net factor income from abroad = Rs.240 Crores.

Calculate domestic income.

- (a) Rs.58,590 Crores (b) Rs.56, 965 Crores
(c) Rs.55,915 Crores (d) none of these

87. 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

88. 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

89. 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
90. 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
91. 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
92. "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
93. _____ is the flow of goods and services between firms and households.
- (a) Real flow
 - (b) Money Flow
 - (c) Consumption Flow
 - (d) Generation Flow
94. 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 known as nominal flow
 - (d) All of the above

95. 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
96. Which one of the following is a stock ?
- (a) Wealth (b) Profits (c) Exports (d) Saving
97. Which of the following is NOT a flow ?
- (a) income (b) depreciation (c) capital (d) investment
98. 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) nor (b)
99. 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
100. 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
101. Which of the following is one of the three commonly accepted methods for calculating a country's national income ?
- (a) market realization method
(b) value added method
(c) import substitution
(d) inflation adjustment method

102. 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
103. Which of the following is not the method of measuring national income ?
- (a) product method (b) income method
(c) profit method (d) expenditure method
104. '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) expenditure method (d) value added method
105. _____ 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
106. 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
107. 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

108. 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
109. The formula to compute net national product at market prices is :
- (a) GDP at market prices – depreciations
(b) GNP at market prices + depreciation
(c) GNP at market prices – depreciation
(d) None of these
110. 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
111. “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
112. 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
113. 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

114. 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
115. Who is entrusted with the task of estimating national income ?
(a) CSO (b) CSIR (c) MOF (d) NSDC
116. 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
117. 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
118. _____ 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
119. 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
120. 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

121. From the following information calculate GDP at market Price :

GDP at factor cost = INR 200 Crores

Indirect Tax = INR 50 Crores

Subsidies = INR 20 Crores

- (a) INR 500 Crores (b) INR 230 Crores
(c) INR 330 Crores (d) INR 130 Crores

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

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

123. 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

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

- (a) Rs. 8 crore (b) Rs. 150 crore
(c) Rs. 158 crore (d) Rs. 166 crore

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

Sales : Rs.40,000 Lakhs

Closing Stock : Rs.2,000 Lakhs

Opening Stock : Rs.500 Lakhs

- (a) Rs.42,500 Lakhs (b) Rs.42,000 Lakhs
(c) Rs.41,500 Lakhs (d) Rs.38,500 Lakhs

126. Which of the following is not a part of primary sector ?

- (a) farming (b) Fishing (c) Transport (d) Mining

127. Which of the following is not a part of tertiary sector ?

- (a) Transport (b) Education
(c) Finance (d) animal husbandry

128. 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

129. 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}

130. Gross Value Added at market price (GVA_{MP}) =

- (a) Value of Output + change in stock
(b) Value of output + intermediate consumption
(c) Sales + change in stock – intermediate consumption
(d) Value of output – intermediate consumption

131. As per value added method, the net domestic product at factor cost (NDP_{FC}) is calculated as per which of the following equation ?

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

132. 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) $NNP_{FC} = NDP_{MP} - NFIA$

133. Consider the following information

GDP_{MP}	Rs. 8,000 Crore
Depreciation	Rs. 400 Crore
Net Indirect Taxes	Rs. 300 Crore
GVA_{MP} (Primary Sector)	Rs. 4,000 Crore
GVA_{MP} (Secondary Sector)	Rs. 1,200 Crore
GVA_{MP} (Tertiary Sector)	Rs. 2,800 Crore

What is the value of NDP at factor cost ?

- (a) Rs. 7,300 crore (b) Rs. 8,400 crore
(c) Rs. 8,700 crore (d) Rs. 16,400 crore

134. Under value added method, which of the following will be included while computing national income ?

- (a) sale and purchase of secondhand goods
(b) intermediate goods
(c) production of goods for self consumption
(d) production of services for self consumption

135. 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

136. 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	: 1,35,00
Rent	: 25,000

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

- (a) Rs.16,30,000 (b) Rs.16,50,000
(c) Rs.16,80,000 (d) Rs.16,90,000

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

Amount (Rs.)

Net value added at factor cost : 70,000

Intermediate consumption : 30,000

Goods and Services Tax : 25,000

Subsidy : 4,000

Depreciation : 10,000

- (a) Rs.1,10,000 (b) Rs.1,01,000
(c) Rs. 89,000 (d) none of these

138. 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

139. 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.

140. Consider the following information :

- A. NDP at market price 77,000
B. Net factor income from abroad (-) 1,700
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

141. 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
142. Windfall 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
143. _____ 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
144. The formula to compute GNP at market Prices is :
- (a) $\text{GNP at market prices} = \text{GDP at market prices} + \text{depreciation}$
(b) $\text{GNP at market prices} = \text{GDP at market prices} - \text{Net income from abroad}$
(c) $\text{GNP at market prices} = \text{GDP at market prices} + \text{Net income from abroad}$
(d) $\text{GNP at market Prices} = \text{GNP at Market prices} + \text{depreciation}$
145. The formula to calculate personal income is :
- (a) $\text{National Income} - \text{Undistributed corporate profits} + \text{profit taxes} - \text{social security contribution} - \text{interest on public debt}$
(b) $\text{National Income} + \text{Undistributed corporate profits} + \text{profit taxes} - \text{social security contribution}$
(c) $\text{National income} - \text{Undistributed corporate profits} - \text{profit taxes} - \text{social security contribution} + \text{transfer payments} + \text{interest on public debt}$
(d) $\text{National Income} - \text{Undistributed corporate profits} + \text{profit taxes} - \text{social security contribution} - \text{transfer payments}$

146. 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
147. 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
148. 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
149. Which of the following is not be component of calculating national income through expenditure method ?
- (a) Government expenditure
 - (b) Production for self consumption
 - (c) investment expenditure
 - (d) consumption expenditure
150. 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}
151. 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

152. 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
153. Which of the following is not considered for computation of national income under income method ?
- (a) interests (b) wages
(c) government expenditure (d) rents
154. A method of national income accounting is based on the principle 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
155. 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
156. 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 $GDP = \sum_{I=1}^N GVA_I$, where I varies from 1 to N.
- (a) estimation method (b) income method
(c) product method (d) expenditure method
157. Which as the following is included while 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

158. While estimating national income by income method, transfer incomes are not included as there are not connected with any 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

159. 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

160. 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) Rs.52,700 (b) Rs.56,200
(c) Rs.59,700 (d) None of these

161. Consider the following data :

Value of output	: Rs.2,50,000
Purchase of Raw Material	: Rs.58,000
Wages and salaries	: Rs.65,000
Net Indirect Tax	: Rs.15,000
The value of operating surplus is	

- (a) Rs.1,12,000 (b) Rs.1,27,000
(c) Rs.1,92,000 (d) None of these

162. 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

163. 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

164. 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

165. 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

166. ABC limited incurred capital expenditure of INR 100 Cr. 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

167. From the following information calculate national income.

Consumption expenditure = INR 1000 Cr.

Investment expenditure = INR 800 Cr.

Government Expenditure = INR 1200 Cr.

Net exports = INR 400 Cr.

- (a) INR 2200 Cr.
- (b) INR 1800 Cr.
- (c) INR 3000 Cr.
- (d) INR 3400 Cr.

168. From the following information, compute Gross National Product (GNP) according to the expenditure method

Private Consumption Expenditure = INR 200 Cr.

Gross Domestic Private Investment = INR 80 Cr.

Net Foreign Investment = INR 20 Cr.

Rent = INR 60 Cr.

Wages = INR 100 Cr.

Mixed Income = INR 25 Cr.

Government expenditure on goods and services = INR 60 Cr.

(a) INR 360 Cr. (b) INR 200 Cr.

(c) INR 385 Cr. (d) INR 270 Cr.

169. From the following information, compute Gross National Product (GNP) according to the expenditure method

Private consumption expenditure = INR 100 Cr.

Gross Domestic Private Investment = INR 80 Cr.

Net foreign investment = INR 20 Cr.

Rent = INR 60 Cr.

Wages = INR 100 Cr.

Mixed income = INR 25 Cr.

Government expenditure on goods and services = INR 70 Cr.

(a) INR 360 Cr. (b) INR 200 Cr.

(c) INR 385 Cr. (d) INR 270 Cr.

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

(a) factor payments (b) explicit payments

(c) implicit payments (d) transfer payments

171. "The donations 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

172. _____ 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
173. 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
174. 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
175. _____ is the largest component of national income under expenditure method.
- (a) Investment expenditure (b) Consumption expenditure
(c) Government Expenditure (d) None of the above
176. 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
177. In India, _____ is the apex banking institution that regulate the monetary policy in the country.
- (a) State Bank of India (b) Canara Bank
(c) Reserve Bank of India (d) Oriental Bank of Commerce

178. Which of the following is not considered for computation of national income under income method ?
- (a) Government expenditure (b) Rents
(c) Wages (d) Interests
179. 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
180. 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
181. 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.
182. 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

183. 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
184. 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
185. 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.
186. 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
187. 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

188. "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

189. 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

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

- (a) expenditure on intermediate goods
- (b) transfer payments
- (c) expenditure on own account production
- (d) purchase of financial assets

191. In respect of following data given in Rs. what will be national income using expenditure method ?

Particulars	Rs.
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) Rs.49,500
- (b) Rs.48,000
- (c) Rs.47,000
- (d) Rs.45,500

192. The formula to calculate GDP at factor cost is :

- (a) GDP at factor cost = Net Value Added \times 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

193. 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

194. 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 incorrect
- (b) Statements I and II correct
- (c) Statements I is correct and II is incorrect
- (d) Statements I is correct and II is correct

195. 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 included in national income calculation

196. 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

197. 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

198. Consider the following data :

Particulars	Rs. 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) Rs.900 Cr. (b) Rs.375 Cr. (c) Rs.105 Cr. (d) None of these

199. The following data is available (In Rs. Cr.) :

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

Calculate net value added by factor cost.

- (a) Rs.480 Cr. (b) Rs.420 Cr. (c) Rs.360 Cr. (d) None of these

200. 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

201. Calculate National income with the help of expenditure method with the help of following data.

Particulars	Rs. 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) Rs.1139 Cr. (b) Rs.1237 Cr.
(c) Rs.2039 Cr. (d) Rs.3022 Cr.

202. Consider the following information :

Particulars	Rs. 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) Rs.1957 Cr. (b) Rs.1507 Cr.
(c) Rs.1462 Cr. (d) None of these

203. The following data is available :

Particulars	Rs. 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) Rs.4800 Cr. And Rs.4575 Cr.
- (b) Rs.4575 Cr. And Rs.4800 Cr.
- (c) Rs.6750 Cr. And Rs.6825 Cr.
- (d) Rs.6825 Cr. And Rs.6750 Cr.

204. 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

205. 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

206. At present, _____ compute state income estimates and districts level estimates.
- (a) All the states only (b) All union territories only
(c) All the states and union territories of India
(d) Central Government
207. _____ 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
208. What is the formula to calculate per capital state income ?
- (a) State income \times 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) $\frac{\text{State Income}}{\text{Mid year projected Population of the State}}$
209. 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
210. In the preparation of state level estimates the advice an conceptual and methodological problems is rendered by _____
- (a) State Statistical Organization
(b) State directions of Economics and Statistics.
(c) State Economic Affairs Orgasation
(d) Central Statistical Organisation

211. Which of the following activities is not assigned to a particular state ?
- (a) Railways (b) Communications
(c) Banking and Insurance (d) All of the above
212. Which of the following is part of “Supra-Regional Sectors” of the economy ?
- (a) Railways (b) communications
(c) Central Govt. Administration (d) All of the above
213. 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
214. In the preparation of state income estimates, certain activities cut across state boundaries and 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
215. Which of the following aspects are excluded on GDP measures ?
- (a) Income Distributions
(b) Quality Improvement in systems
(c) Productions hidden from government authorities.
(d) All of the above
216. Which of the following is an example of conceptual difficulties related to measurement of national income ?
- (a) Issue of Transfer Payments
(b) Valuation of Govt. services
(c) Lack of an agreed definition of national income.
(d) All of the above

217. 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
218. In which year, the western world had experienced the Great depression ?
- (a) 1928 (b) 1929 (c) 1930 (d) none of these
219. The history of modern micro-economics was revolutionized in 1936 with the publication by John Maynard Kenes. What is the name of that masterpiece ?
- (a) General theory of Govt. spending
(b) General theory of employment, interest and money
(c) General theory of reducing unemployment
(d) None of these
220. 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
221. 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
222. The two sector model consists of _____ sectors.
- (a) Household and business (b) Household and Government
(c) Business and Government (d) Government and Foreign
223. Which of the following is not a reason for leakages ?
- (a) Part of an increment in income used for payment of debts
(b) Distributed profits of corporation
(c) High liquidity preference
(d) Progressive rate of taxation

224. 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 payments for products.
 - (d) All the statements are correct.
225. The two sector model breaks the economy down into two primary players namely _____
- (a) Households and corporation
 - (b) Corporation and business
 - (c) Business and government
 - (d) Government and foreign
226. In two sector model, _____ own all factors of production and _____ sell their factor services to earn factor incomes.
- (a) household, households
 - (b) households, corporation
 - (c) corporations, Households
 - (d) corporation, corporation
227. In two sector mode, what is the relationship between total income produced (Y) that accrues to the household and the disposable personal income (Y_d) of household ?
- (a) $Y > Y_d$
 - (b) $Y < Y_d$
 - (c) $Y = Y_d$
 - (d) either (a) or (b)
228. 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

229. 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
230. 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) $AD = C + I + G + (X - M)$
231. 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
232. Which of the following is the correct expression of the short-run aggregate demand function ?
- (a) $AD = C + I$ (b) $AD = \bar{C} + I$
(c) $AD = C + \bar{I}$ (d) $AD = \bar{C} + \bar{I}$
233. Which of the following is NOT TRUE about AD in a two – sector economy ?
- (a) $AD = \text{Consumption} + \text{saving}$
(b) $AD = \text{Consumption} + \text{Investment}$
(c) AD = Curve has a positive slope
(d) AD = Curve starts from same point about origin
234. 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

235. 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 (b) above
236. 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
237. 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
238. 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
239. Which of the following is the specific form 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) $C = a - bI$
240. 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

241. 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) $0 < b < 1$
242. _____ refers to the ratio of consumption expenditure to the corresponding of total income.
(a) average propensity of consume (b) marginal propensity of consume
(c) overall propensity of consume (d) moderate propensity of consume
243. 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
244. 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
245. 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) $\frac{\Delta C}{\Delta Y}$
246. Which of the following is true for MPC ?
(a) It is always greater than one
(b) It is always less than unity but greater than zero
(c) It can be even less than zero
(d) It can attain any value depending upon the disposable income
247. 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

248. Identify which one of the following is correct ?

- (a) $MPC + MPS = 1$ (b) $MPC - MPS = 1$
(c) $MPS - MPC = 1$ (d) $MPS + MPS = 0$

249. 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

250. 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

251. 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

252. 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

253. Increase in investment by Rs.500 Cr. Will increase the national income by Rs.1500 Cr. Can we find marginal propensity to consume ?

- (a) 3 (b) 0.75 (c) 0.70 (d) 0.66

254. 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

255. 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
256. If the consumption function is $C = 20 + 0.5 Y_d$, then an increase in disposable income by Rs.100 will result in an increase in consumer expenditure by Rs. _____
- (a) 25
 - (b) 70
 - (c) 50
 - (d) 100
257. _____ 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)
258. Which of the following is correct about aggregate supply (AS) ?
- (a) $AS = C + S$
 - (b) $AS = C - S$
 - (c) $AS = C + I + G$
 - (d) $AS = C - I + G$
259. When income rises from Rs.1,000 to Rs.1,100, saving rises by Rs.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
260. The consumption expenditure and investment demand are Rs.800 Cr. And Rs.350 Cr. Respectively, when income is Rs.1,250 Cr. What will be the value of AD, AS and saving ?
- (a) Rs.1,250, Rs.1150 and Rs.450
 - (b) Rs.1,150, Rs.1,250 and Rs. 450
 - (c) Rs.1,700, Rs.2,050 and Rs.350
 - (d) None of these

261. The saving curve of an economy makes a negative intercept of Rs.60 Cr. And 30% of additional income is saved. As regard 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
262. 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) $C = -30 + 0.25(y)$
263. If MPC is one third of MPS and consumption is Rs.38 Cr. 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) $S = 38 + 0.75(y)$
264. Which of the following reflects the equilibrium level of income and output in the Keynesian framework (under two sector model) ?
- (a) Aggregate demand = Aggregate supply
(b) $C + I = C + S$
(c) $I = S$
(d) All of the above
265. If the autonomous consumption equals Rs.2,000 and the marginal propensity to consume equals 0.8. if disposable income equals Rs.10,000, then total consumption will be Rs. _____
- (a) 8,000 (b) 6,000 (c) 10,000 (d) none of the above
266. 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

267. 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.

268. 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

269. 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

270. 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 plan to consume and to save
- (d) Producer's plan to consume, Household plan to produce.

271. 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,

- (c) aggregate expenditure ; a decrease in investment
- (d) aggregate income ; a decrease in investment

277. Investment multiplier is the _____

- (a) Rate of change in investment due to increase in income
- (b) Rate of increase in the national income due to increase in investment
- (c) Rate of change in the investment due to increase in the savings
- (d) Rate of change in savings due to increase in the investment

278. 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

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

- (a) MPC
- (b) APC
- (c) TPC
- (d) none of these

280. 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

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

- (a) APC
- (b) APS
- (c) MPS
- (d) MPC

282. In an economy investment expenditure is increased by Rs.600 Cr. 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

283. Suppose in a country investment increase by Rs.320 Cr. And consumption is given by $C = 45 + 0.6 Y$ (Where $C =$ Consumption and $Y =$ income.) how much increases will there take place in income ?
(a) Rs.192 (b) Rs.365 (c) Rs.640 (d) Rs.800
284. An increase in investment by Rs.1000 Cr. Leads to increase in national income by Rs. 2500 Cr. What will be marginal propensity to consume (MPC) ?
(a) 2.5 (b) 0.6 (c) 0.4 (d) None of these
285. 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
286. 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
287. 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
288. In an economy, the actual level of income is Rs.500 Cr, whereas, the full employment level of income is Rs.800 Cr. 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) Rs.300 Cr. (c) Rs.75 Cr. (d) None of these
289. Consider the following data relating to an economy ?
(a) increase in investment = Rs.3,500 Cr.

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

What will be the total increase in income ?

- (a) Rs.2,800 (b) Rs.7,000
(c) Rs.17,500 (d) None of these

290. 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

291. 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

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

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

293. 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

294. Find the aggregate demand, when consumption is Rs.2000 Cr, investment is Rs.700 Cr, Govt. spending is Rs.750 Cr., total exports is Rs.150 Cr and total expenditure on imports are 50 Cr.

- (a) 3550 Cr (b) 3300 Cr (c) 3600 Cr (d) 3350 Cr

295. $C = 200 + 0.8 Y_d$; $G = T = 150$; $I = 200$; $TR = 75$. Find equilibrium income.

- (a) 625 (b) 2450 (c) 2250 (d) 800

296. $C = 25 + 0.75 Y_d$, 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

297. Consider the following data about a simple economy :

$$C = 50 + 0.8 Y_d$$

$$I = 250 \text{ (investment)}$$

$$G = 100 \text{ (government – expenditure)}$$

$$T = 100 \text{ (tax)}$$

What will be the equilibrium level of national income ?

- (a) 1200 (b) 1400 (c) 1600 (d) none of these

298. The following information is available regarding structure model of an economy :

$$C = 40 + 0.8 Y_d$$

$$I = 80$$

$$G = T = 40$$

$$TR = 15$$

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

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

$$\text{Consumption function (C)} = 400 + 0.75 (Y - T + \text{TR})$$

$$\text{Government expenditure (G)} = 380 \quad \text{Tax (T)} = 84 + 0.2Y$$

$$\text{Autonomous transfer payment (TR)} = 200$$

What is the equilibrium level of income ?

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

300. 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

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

- (a) $C + Y + G + (X + M)$ (b) $C + I + \text{Tax} + \text{TR}$
(c) $C + I + G + (X - M)$ (d) none of these

302. 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) $M = \bar{M} + mY$ (d) all of the above

303. 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) $\frac{1}{1+b+m}$

304. Consider the following :

$$\text{Consumption function (C)} = 40 + 0.8 Y_d$$

$$T = 0.1 Y$$

$$I = 60 \text{ Cr.}$$

$$G = 40 \text{ Cr.}$$

$$X = 58$$

$$M = 0.05 Y$$

What will be the equilibrium level of income ?

- (a) 800 Cr. (b) 603 Cr. (c) 545 Cr. (d) none of these

305. $C = 60 + 0.9 Y_d$

$$I = 10$$

$$M = 10 + 0.05 Y$$

What is foreign trade multiplier ?

- (a) 0.98 (b) 3.97 (c) 6.66 (d) none of these

306. Equilibrium income (Y) = 600

$$\text{Exports (X)} = 20$$

$$\text{Imports (M)} = 10 + 0.05Y$$

Calculate trade balance.

- (a) Surplus (20) (b) deficit (20)
(c) surplus (30) (d) deficit (30)