

National Income

Worksheet

1. What will be the Total Income if the value of Average Propensity to Consume (APC) is 0.45 and Total Consumption = ₹ 900 crores ?

- (a) ₹ 2,500 crores
- (b) ₹ 2,000 crores
- (c) ₹ 2,050 crores
- (d) ₹ 2,100 crores

2. What will be the GDP at market price (GDP_{MP}) on the basis of following information?

Particulars	Amount (₹) crores
GNP_{MP}	1100
Net Factor Income from Abroad	200
Depreciation	50
Net Indirect Tax	100

- (a) ₹ 1,000 crores
- (b) ₹ 1,050 crores
- (c) ₹ 900 crores
- (d) ₹ 1,300 crores

3. Which of the following is not a correct formula to calculate NNP_{MP} ?

- (a) $NNP_{MP} = GNP_{MP} - \text{Depreciation}$
- (b) $NNP_{MP} = NDP_{MP} + \text{Net Factor Income from Abroad}$
- (c) $NNP_{MP} = GDP_{MP} + \text{Net Factor Income from Abroad} - \text{Depreciation}$
- (d) $NNP_{MP} = NDP_{MP} - \text{Depreciation}$

4. The state-level estimates are typically prepared by the State Income Units of the respective states. Which organization is primarily responsible for this task ?

- (a) Directorates of Economics and Statistics (DESS)
- (b) Central Statistical Organization (CSO)
- (c) Ministry of Finance
- (d) Reserve Bank of India

5. If GDP at market price is ₹ 6,700 crore and depreciation is ₹ 530 crore, then what will be the NDP at market price?

- (a) ₹ 6,200 crore
- (b) ₹ 6,170 crore
- (c) ₹ 7,230 crore
- (d) ₹ 6,690 crore

6. Suppose the consumption of an economy is given by $C = 30 + 0.5Y$ and investment $I = 12 + 0.15Y$. What will be the equilibrium level of National Income?

- (a) 120
- (b) 115
- (c) 105
- (d) 112

7. Which of the following refers to the mixed income of the self-employed ?

- (a) Combined factor payments which are not distinguishable
- (b) Wages due to non-economic activities
- (c) Net profits received by self-employed
- (d) Outside wages received by self-employed

8. What does Disposable Personal Income (DPI) represent?

- (a) The total income earned by individuals before taxes
- (b) The income individuals have for consumption or saving
- (c) The total savings accumulated by individuals
- (d) The total income of a country's government

9. The ratio between nominal GDP and real GDP is known as :

- (a) Inflation Rate
- (b) Gross Domestic Product deflator
- (c) Gross National Product
- (d) Net National Product

10. If the GDP Deflator of a country in the year 2020 is 140.75 and in the year 2021 is 157.33, then what is the inflation rate in the year 2021?
- (a) 9.09%
(b) 10.97%
(c) 11.78%
(d) 12.34%
11. Which method measures the contribution of each producing enterprise in the domestic territory of a country over an accounting year by consolidating production of each industry less intermediate purchases from all other industries ?
- (a) Income Disposal Method
(b) Value Added Method
(c) Income Method
(d) Expenditure Method
12. In the three-sector model of a closed economy (neglecting foreign trade), what are the three components of aggregate demand?
- (a) Consumption, Savings, and Investment
(b) Consumption, Exports, and Government Spending
(c) Consumption, Investment, and Government Spending
(d) Consumption, Imports, and Exports
13. According to the Keynesian theory of income and employment, national income depends upon :
- (a) Aggregate Effective Supply
(b) Aggregate Effective Savings
(c) Aggregate Effective Demand
(d) Aggregate Effective Production
14. What are the phases included in the circular flow of income?
- (a) Production, Saving and Expenditure
(b) Production, Income and Taxation
(c) Production, Distribution and Disposition
(d) Income, Saving and Investment
15. Which of the following is not the limitation in the computation of the national income?
- (a) Issue of transfer payments
(b) Services of durable goods
(c) Difficulty of incorporating the distribution of income
(d) Quality improvements due to technological innovations
16. Which of the following is NOT a component of Gross Domestic Product (GDP)?
- (a) Consumption
(b) Investment
(c) Government Spending
(d) Imports
17. Which of the following is an example of a transfer payment in National Income Accounting?
- (a) Salary of a government employee
(b) Social Security benefits
(c) Income earned from selling goods
(d) Corporate taxes paid to the government
18. Gross Domestic Product (GDP) measures.
- (a) The total value of goods and services produced within a country's borders, including net income from abroad
(b) The total value of goods and services produced by a country's residents, regardless of their location.
(c) The total value of goods and services produced within a country's borders, excluding net income from abroad.
(d) The total value of goods and services consumed within a country's borders.
19. Which concept of National Income measures the total market value of all final goods and services produced within a country's borders, excluding the value of indirect taxes and including subsidies?
- (a) Net Domestic Product (NDP) at factor cost
(b) Gross Domestic Product (GDP) at factor cost
(c) Gross Domestic Product (GDP) at market price
(d) Net National Product (NNP)

20. In a country, the Gross National Product (GNP) at Market Prices for the year 2021 is ₹ 800 billion. During the same year, depreciation (Capital Consumption Allowance) amounts to ₹ 100 billion. Calculate the Net National Product at Market Prices (NNPMP) for the year 2021.
- (a) ₹ 900 billion
 (b) ₹ 700 billion
 (c) ₹ 800 billion
 (d) ₹ 600 billion
21. The System of Regional Accounts in India provides economic data at which level of geographical aggregation?
- (a) District level
 (b) State level
 (c) National level
 (d) International level
22. In the Keynesian model, what is the role of private investment in determining national income?
- (a) Private investment has no impact on national income
 (b) Private investment solely determines national income.
 (c) Private investment is a component of aggregate demand affecting national income
 (d) Private investment only affects the inflation rate not national income
23. In an economy the consumption function is represented as $C = 500 + 0.8Y$ where C is consumption and Y is disposable income. Calculate the level of consumption when disposable income (Y) is ₹ 1,000.
- (a) ₹ 1,200
 (b) ₹ 1,300
 (c) ₹ 1,400
 (d) ₹ 1,500
24. The investment multiplier measures the relationship between:
- (a) Consumer spending and investment
 (b) Government spending and investment
 (c) investment and changes in national income
 (d) Changes in national income and consumer spending
25. Which of the following flows represents the payment made by business firms to households for providing factors of production?
- (a) Factor payments
 (b) Transfer payments
 (c) Investment spending
 (d) Consumption expenditure
26. National Income estimates are essential for
- (a) Calculation government debt
 (b) Evaluating the overall health of the financial sector
 (c) Measuring the economic growth and development of a country
 (d) Determining the inflation rate
27. Which of the following best represents the flow of goods and services in the circular flow model?
- (a) Money flows from households to businesses for goods and services.
 (b) Goods and services flow from households to businesses in exchange for money.
 (c) Money flows from businesses to households for factors of production.
 (d) Factors of production flow from businesses to households in exchange for money.
28. Which of the following is the correct formula for calculating Gross Domestic Product (GDP)?
- (a) $GDP = \text{Consumption} + \text{Investment} + \text{Government Spending}$
 (b) $GDP = \text{Consumption} + \text{Investment} + \text{Government Spending} + \text{Exports} - \text{Imports}$
 (c) $GDP = \text{Consumption} + \text{Investment} + \text{Net Exports}$
 (d) $GDP = \text{Consumption} + \text{Investment} + \text{Government Spending} + \text{Exports}$
29. The Ministry responsible for the compilation of the System of Regional Accounts in India is:
- (a) Ministry of Finance
 (b) Ministry of Commerce and Industry
 (c) Ministry of Home Affairs
 (d) Ministry of Statistics and Programme Implementation

30. Net National Product (NNP) is calculated by
- Deducting depreciation from Gross Domestic Product (GDP)
 - Deducting depreciation from Gross National Product (GNP)
 - Deducting indirect taxes from Gross Domestic Product (GDP)
 - Adding indirect taxes to Gross National Product (GNP)

31. The following table shows the production and prices of two goods, X and Y, in a hypothetical economy for the year 2023.

Goods	Quantity Produced	Price per Unit
X	10 units	₹ 10
Y	150 units	₹ 15

Calculate the nominal GDP of the economy for the year 2023.

- ₹ 2,500
 - ₹ 3,250
 - ₹ 3,500
 - ₹ 4,000
32. One of the limitations of national income computation is that it
- Ignores the contribution of the services sector to the economy
 - Overestimates the value of intermediate goods and services
 - Excludes the impact of inflation on the economy
 - Does not consider non-market activities and the informal economy
33. The income approach to calculating GDP:
- Adds up all the wages, salaries, and profits earned in an economy
 - Only considers the total spending on final goods and services
 - Focuses on the net exports of a country
 - Includes only the value of intermediate goods and services

34. Which government agency is responsible for preparing the System of Regional Accounts in India?
- Ministry of Finance
 - Reserve Bank of India (RBI)
 - Central Statistical Office (CSO)
 - National Institution for Transforming India (NITI Aayog)

35. According to the Keynesian theory, what can lead to a situation of "underemployment equilibrium" in an economy?
- When aggregate demand exceeds aggregate supply
 - When aggregate supply exceeds aggregate demand
 - When there is full employment in the economy.
 - When aggregate demand is insufficient to create full employment

36. In an economy the consumption function is represented as $C = 1,000 + 0.8Y$, where Y is disposable income. Calculate the level of consumption when disposable income (Y) is ₹ 2,000.
- ₹ 8,00
 - ₹ 2,600
 - ₹ 2,400
 - ₹ 2,800

37. If the Marginal Propensity to Save (MPS) is 0.2, what is the value of the investment multiplier?
- 1.2
 - 5
 - 0.2
 - 0.8

38. The formula for calculating the equilibrium level of income (Y) in a three-sector model is:
- $Y = C - I + X - M$
 - $Y = C + I + G$
 - $Y = C + S + T$
 - $Y = C + I + X$

39. Which of the following is a measure of a country's Gross National Product (GNP)?
- The total value of all goods and services produced within a country's borders in a specific period.
 - The total value of all goods and services produced by a country's residents, both domestically and abroad, in a specific period.
 - The total value of all goods and services sold by a country to other countries in a specific period.
 - The total value of all goods and services produced by a country's domestic companies in a specific period.
40. The injection in the four-sector model refers to:
- Money flowing out of the economy due to imports
 - Money flowing into the economy due to exports
 - Government spending, exports, and investments that increase the flow of income
 - Taxes, savings, and imports that reduce the flow of income
41. If in the three-sector model, total consumption is ₹ 500 million, total investment is ₹ 300 million, government expenditure is ₹ 200 million, and net exports are - ₹ 50 million (trade deficit), the equilibrium level of income (Y) would be:
- 1,050 million
 - 950 million
 - 750 million
 - 1,150 million
42. If the investment multiplier is 4, a ₹ 100 million increase in investment will lead to a total increase in national income of:
- ₹ 200 million
 - ₹ 400 million
 - ₹ 600 million
 - ₹ 800 million
43. In the two-sector model, the equilibrium condition is achieved when:
- Consumption equals savings
 - Consumption exceeds savings
 - Savings exceed consumption
 - Consumption and savings are both zero
44. Which type of unemployment occurs when there is a temporary mismatch between job seekers and available job vacancies?
- Cyclical unemployment
 - Frictional unemployment
 - Structural unemployment
 - Seasonal unemployment
45. National Income estimates help in international comparisons of countries economies because they:
- Provide information about the military strength of the countries
 - Show the total exports and imports of the countries
 - Indicate the level of technological advancement in the countries
 - Offer a common measure to compare economic performance
46. Which of the following statements is true regarding the usefulness of National Income estimates?
- It helps in predicting the stock market trends.
 - It assists in identifying the environmental challenges faced by a country.
 - It is only relevant for developed countries, not for developing countries.
 - It aids in assessing the contribution of different sectors to the economy.
47. Keynes believed that an economy may attain equilibrium level of output
- only at the full-employment level of output
 - below the full-employment level of output
 - only if prices were inflexible
 - (a)and(c)above

48. Which concept of National Income includes only the value added at each stage of production and avoids double-counting?
- Gross Domestic Pro. (GDP) at market price
 - Net Domestic Product (NDP)
 - Gross Domestic Product (GDP) at factor cost
 - Gross Value Added (GVA)
49. In national income accounting, "Net Domestic Product (NDP) is defined as:
- The total value of all goods and services produced within a country's borders in a specific period.
 - The total value of all including depreciation goods and services produced within a country's borders in a specific period.
 - The total value of all goods and services produced within a country's borders minus depreciation in a specific period.
 - The total value of all goods and services produced by a country's residents, both domestically and abroad, in a specific period.
50. In a closed economy, aggregate demand is the sum of
- consumer expenditure, demand for exports and government spending.
 - consumer expenditure, planned investment spending and government spending.
 - consumer expenditure, actual investment spending, government spending and net exports.
 - consumer expenditure, planned investment spending, government spending, and net exports.
51. The concept of 'resident unit' involved in the definition of GDP denotes
- A business enterprise which belongs to a citizen of India with production units solely situated in India
 - 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
 - A citizen household which had been living in India during the accounting year and one whose economic interests are solely in India
 - Households and business enterprises composed of citizens of India alone living in India during the accounting year
52. Which of the following is added to national income while calculating personal income?
- Transfer payments to individuals
 - Undistributed profits of corporate
 - Transfer payments made to foreigners
 - Mixed income of self employed
53. The value of the investment multiplier is calculated as
- 1/Marginal Propensity to Consume (MPC)
 - Marginal Propensity to Consume (MPC)/1
 - 1 / Marginal Propensity to Save (MPS)
 - Marginal Propensity to Save (MPS) / 1
54. In the three-sector model, the total income earned by households is divided into three components:
- consumption expenditure (C), savings (S) and
- Taxes (T)
 - investment (I)
 - Exports (X)
 - Government expenditure (G)
55. Personal Income (PI) is derived from National Income (NI) by:
- Adding transfer payments and deducting undistributed corporate profits
 - Adding corporate profits and deducting net interest and rent
 - Deducting direct taxes and adding transfer payments
 - Deducting retained earnings and adding social security contributions
56. Which concept of National Income takes into account the net income earned from foreign investments and deducts net income earned by foreigners within the country?
- Gross Domestic Product (GDP) at factor cost
 - Net Domestic Product (NDP)
 - Gross National Product (GNP)
 - Net National Product (NNP)

57. If the GDP deflator for a particular year is 90.0, what does it indicate about the price level compared to the base year?
- Prices have increased by 10% compared to the base year.
 - Prices have decreased by 10% compared to the base year.
 - Prices have remained the same as the base year.
 - Prices have decreased by 90% compared to the base year.
58. The difference between exports and imports is the _____ for goods and Services.
- Net foreign demand
 - Gross Foreign demand
 - Net Outflow
 - Net Inflow
59. Gross Domestic Product (GDP) is defined as the total:
- Income earned by a country's residents, regardless of their location
 - Value of goods and services produced within a country's borders
 - Income earned by foreign residents within the country
 - Value of goods and services produced by a country's residents abroad
60. Gross investment refers to:
- private investment minus public investment.
 - net investment plus replacement cost.
 - net investment after it has been "inflated" for changes in the price level.
 - net investment plus net exports.
61. The amount of after-tax income received by households is measured by:
- discretionary income.
 - national income.
 - disposable income.
 - personal income.
62. If the Marginal Propensity to Consume (MPC) is 0.8, the value of the investment multiplier will be
- 2
 - 3
 - 4
 - 5
63. In an economy, the government increases its spending on infrastructure projects and welfare programs. As a result, the government expenditure (G) increases by ₹ 100 billion. How will this increase in government expenditure affect the equilibrium level of income in the economy, assuming the marginal propensity to consume (MPC) is 0.8?
- The equilibrium level of income will increase by ₹ 100 billion
 - The equilibrium level of income will decrease by ₹ 100 billion
 - The equilibrium level of income will increase by ₹ 500 billion
 - The equilibrium level of income will decrease by ₹ 500 billion
64. When the value of output for each year is estimated on the basis of fixed prices, or prices prevailing at a earlier point of time or in some earlier Base Year, it constitutes measurement at -
- Current Prices
 - Constant Prices
 - Both(a)and(b)
 - Neither(a)nor(b)
65. Allowance given for using Capital Equipment for Production is known as -
- Appreciation
 - Deficit
 - Loss
 - Depreciation
66. National Income means -
- GNP at Market Prices
 - NNP at Market Prices
 - GNP at Factor Cost
 - NNP at Factor Cost

67. Which of the following statements regarding National Income is true?

- (a) National Income fails to account for non-marketable household production
- (b) Goods and Services produced and consumed by the individuals for themselves are indicated in the National Income
- (c) All transactions involving illegal and underground activities are valued and reported in National Income
- (d) National Income accounts consider all the implications of productive activities and the events of nature in an economy

68. Which of the following statements regarding National Income is false?

- (a) Housework done by Housewives is not included in the National Income
- (b) In Agricultural Sector, the value of the commodities consumed by the Farmers is included in the National Income
- (c) Most of the underground activities in the economy are unreported and are not included in National Income accounts
- (d) National Income fails to take into account the human cost of employment in terms of physical and mental strain

69. What is the usual effect of double counting on the National Income?

- (a) National Income shows a lower figure
- (b) National Income gets exaggerated
- (c) National Income remains same, even in the case of double counting
- (d) Double-counting can never take place while calculating the National Income

70. If Net Factor Income from Abroad is negative, then which of the following is true?

- (a) $GNP > GDP$
- (b) $GNP = GDP$
- (c) $GNP < GDP$
- (d) None of the above

71. When NFIA is positive, then

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

72. GDP at Market Price =

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

73. Gross Value added at market price (GVA_{MP})=

- (a) Value of Output + Change in stock
- (b) Value of Output + Intermediate consumption
- (c) Value of Output + Change in stock – Intermediate consumption -
- (d) Value of Output Intermediate–consumption

74. 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

Using the following information for Q. 75. & Q.76

Year	Nominal GDP in crores (₹)	Real GDP in crores (₹)
2020	600	600
2021	1050	650
2022	1250	850
2023	1500	940

75. Calculate the GDP Deflator for the year 2022 and 2023

- (a) 147.06 & 159.57
- (b) 100 & 161.54
- (c) 68 & 62.67
- (d) 400 & 560

76. The inflation rate between the years 2022 and 2023 is _____
- (a) -7.84
 (b) -8.51
 (c) 8.51
 (d) 7.84
77. Income received by household sector including non-profit institution serving household is called _____
- (a) Percapita income
 (b) Personal income
 (c) National income
 (d) Disposal income
78. 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
79. 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 in prices with respect to base year?
- (a) Prices will fall
 (b) Prices will rise
 (c) Not defined as base year not given
 (d) No effect on prices
80. 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
81. Find the aggregate demand, when consumption is Rs.2000 crores, investment is Rs.700 Crores, Government Spending is Rs. 750 Crores, total exports is Rs.150 Crores and total expenditure on imports are 50 Crores.
- (a) 3550 Cr
 (b) 3300 Cr
 (c) 3600 Cr
 (d) 3350 Cr
82. $C = 200 + 0.8Y_d$; $G = T = 150$; $I = 200$; $TR = 75$. Find equilibrium income.
- (a) 625
 (b) 2450
 (c) 2250
 (d) 800
83. 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 zero
 (d) It can attain any value depending upon the disposable income
84. 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 the 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
85. If aggregate demand for an amount of output is less than the full employment level of output in the economy, then it gives rise to -
- (a) Inflationary Gap
 (b) Deflationary Gap
 (c) Potential Gap
 (d) Excess Demand
86. Increase in investment by Rs 500 crores will increase the national income by Rs. 1500 crores. Can we find marginal propensity to consume?
- (a) 3
 (b) 0.75
 (c) 0.70
 (d) 0.66
87. If aggregate effective demand exceeds the economy's full employment level it will result in _____
- (a) Deflation
 (b) Inflation
 (c) Under employment
 (d) None of the above

88. In an economy, investment is increased by Rs 600 Crores. If the marginal propensity to consume is 0.6, calculate the total increase in income and consumption expenditure.

- (a) 1500, 700
- (b) 1600, 900
- (c) 1500, 900
- (d) 1600, 700

89. Given the empirical consumption function $C = 100 + 0.75Y$ and $I = 1000$, calculate equilibrium level of national income. What would be the consumption expenditure at equilibrium level national income?

- (a) 4400, 3400
- (b) 3400, 4400
- (c) 4300, 4400
- (d) 3300, 4300

90. If the consumption function is $C = 250 + 0.80Y$ and $I = 300$. Find out equilibrium level of Y , C and S ?

- (a) 7250, 4250, 3000
- (b) 2750, 2450, 300
- (c) 5270, 5240, 30
- (d) 2750, 2450, 3000

Answer Key

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
B	C	D	A	B	A	A	B	B	C	B	C	C	C	D	D	D	C	B	B

21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40
C	C	B	C	A	C	B	B	D	B	B	C	A	C	D	B	B	B	B	C

41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60
B	B	A	B	D	D	C	D	C	B	A	A	C	A	A	C	B	A	B	B

61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80
C	D	C	B	D	D	B	B	B	C	D	A	D	C	A	C	B	A	A	B

81	82	83	84	85	86	87	88	89	90										
A	B	C	B	B	D	B	A	B											