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## INDEX

### MACRO ECONOMICS - MCQs

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8	Money Market	250	10 Marks	8.1 - 8.34
9	International Trade	274	10 Marks	9.1 - 9.42
10	Indian Economy	108	10 Marks	10.1 - 10.16
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CA Foundation - New Syllabus  
Business Economics

### Chapter 6 Determination of National Income

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New MCQs by MVSIR – Set 1

UNIT 1

1 Which of the following are the usefulness and Significance of National Income Estimates?

- a) It provides a framework for analyzing the short run performance
- b) Economic welfare depends on magnitude and distribution of national income
- c) Provides quantitative basis for assessing, choosing & evaluating economic policies
- d) All of the above

2 Nominal GDP changes due to \_\_\_\_\_

- a) Changes in prices of most goods
- b) Changes in production of most goods
- c) Changes in government
- d) Both a & b

3 Which Statement is correct regarding Real GDP?

- a) It is an inflation adjusted measure
- b) It is not affected by changes in prices;
- c) It changes only when there is change in the amount of output produced in the economy.
- d) All of the above

4 What is Measured using the Value Added Method of calculating National income?

- a) Contribution of production units
- b) Relative contribution of factor owners
- c) Flow of consumption and investment expenditures
- d) None of the above

5 What is Measured using Income Method of calculating National Income?

- a) Flow of consumption and investment expenditures
- b) Relative contribution of factor owners
- c) Contribution of production units
- d) All of the above

6 Who is responsible for compilation of National accounts statistics ?

- a) Ministry of Corporate Affairs
- b) Ministry of External Affairs
- c) Ministry of Statistics & Programme Implementation
- d) Ministry of National Income

7 Firms produce goods & services with help of factor services. This comes under which phase of circular flow of income?

- a) Production Phase
- b) Income Phase
- c) Expenditure phase
- d) None of the above

8 The flow of factor incomes in the form of rent, wages, interest and profits from firms to the households occurs under which Phase of circular flow of income?

- a) Expenditure phase
- b) Production Phase
- c) Income phase
- d) None of the above

9 GDP Deflator =  
a)  $(\text{Real GDP} / \text{Nominal GDP}) \times 100$   
b)  $(\text{Nominal GDP} / \text{Real GDP}) \times 100$   
c)  $(\text{Real GDP} \times \text{Nominal GDP}) / 100$   
d)  $(\text{Nominal GDP} \times \text{Real GDP}) / 100$

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10 Profits earned by Apple from its Indian manufacturing operations is part of \_\_\_\_\_

- a) GDP of USA
- b) GNP of USA
- c) GDP of India
- d) Both b & c

11 Basic Price =

- a) Basic price = factor cost + Production taxes - Production subsidy
- b) Basic price = factor cost - Production taxes + Production subsidy
- c) Basic price = Market Price + Production taxes - Production subsidy
- d) Basic price = factor cost + Production taxes + Production subsidy

12 If NFIA is positive, then national income will be \_\_\_\_\_

- a) Less than domestic factor income
- b) Greater than domestic factor incomes
- c) Equal to domestic factor incomes
- d) None of the above

13 \_\_\_\_\_ is a measure of a country's economic output per person

- a) Personal Income
- b) Private Income
- c) GDP Per Capita
- d) Disposable Personal Income

14 Personal Income is the income received by the \_\_\_\_\_

- a) Business Sector
- b) Household Sector
- c) Household Sector including Non-Profit Institutions Serving Households
- d) All sectors of economy

15 Which of the following is correct Formula of Net Domestic Product at Factor Cost (NDP FC) ?

- a)  $\text{NDP MP} - \text{Indirect Taxes} + \text{Subsidies}$
- b)  $\text{NDP MP} - \text{Net Indirect Taxes}$
- c)  $\text{Compensation of employees} + \text{Operating Surplus (rent} + \text{interest} + \text{profit)} + \text{Mixed Income of Self-employed}$
- d) All of the above

16 Personal Income includes

- a) income received but not earned
- b) income earned but not received.
- c) Both b & c
- d) Indirect Taxes

**17** Corporate Profit includes-

a) Corporate Tax  
b) Dividend  
c) Retained Earnings  
d) All of the above

**18** Land and residential buildings purchased or constructed by households are a part of \_\_\_\_\_

a) Private Final Consumption Expenditure  
b) Government Final Consumption Expenditure  
c) Gross Domestic Capital Formation  
d) Private Final Consumption Expenditure

**19** Income method for calculating National Income may be most suitable for \_\_\_\_\_

a) commodity producing sectors like agriculture and manufacturing.  
b) developed economies where data in respect of factor income is readily available.  
c) Both a & b  
d) agricultural sector

**20** In preparation of state income, certain activities such as railways, communications, etc that cut across state boundaries, & thus their economic contribution cannot be assigned to any one state directly are known as

a) Super Sectors  
b) Super State Sectors  
c) Supra Regional Sectors  
d) None of the above

You are given the following data on an economy in millions

Consumer Expenditure (inclusive of indirect taxes)	110
Investment	20
Government Expenditure (inclusive of transfer payments)	70
Exports	20
Imports	50
Net Property Income from abroad	10
Transfer payments	20
Indirect taxes	30
Population	0.5

Answer the Questions from 21 to 24

**21** Calculate the Gross Domestic Product at market prices.

a) 120 million  
b) 160 million  
c) 150 million  
d) 260 million

**22** Calculate the Gross National Income at market prices.

a) 160 million  
b) 120 million  
c) 150 million  
d) 260 million

**23** Calculate the Gross Domestic Product at factor cost.

a) 160 million  
b) 120 million  
c) 150 million  
d) 260 million

**24** Calculate the per capita Gross National Income at factor cost

a) 160 million  
b) 260 million  
c) 150 million  
d) 100 million

**25** The nominal and real GDP of a country in a particular year are Rs. 3000 Crores and Rs. 4700 Crores respectively. Calculate GDP deflator.

a) 63.83  
b) 156.66  
c) 61.83  
d) 154.66

**26** Calculate Net Domestic Product at Factor Cost from the following data:

Wages	7142
Mixed Income	450
Rent	541
Salaries	8912
Interest	1013
Profit	714

a) 16746  
b) 15318  
c) 18772  
d) 14214

Sales by firm B to general government	300
Sales by firm A	1500
Sales by firm B to households	1350
Change in stock of firm A	200
Closing stock of firm B	140
Opening stock of firm B	130
Purchases by firm A	270
Indirect taxes paid by both the firms	375
Consumption of fixed capital	720
Sales by firm A to B	300

Using the information given in the above table, answer the questions from 27 to 29.

**27** Calculate the Value added by firm A and firm B.

a) A - 1430 & B - 1360  
b) A - 1360 & B - 1430  
c) A - 1030 & B - 1940  
d) None of the above

**28** Calculate Gross Domestic Product at Market Price.

a) 2970  
b) 2790  
c) 2990  
d) None

**29** Calculate Net Domestic Price at Factor Cost:

a) 1875  
b) 1895  
c) 1750  
d) 1695

Particulars	(Rs.) In Crore
Net indirect tax	208
Consumption of fixed capital	42
Net factor income from abroad	-40
Rent	311
Profits	892
Interest	81
Loyalty	6
Wages and salary	489
Employer's contribution to Social Security Scheme	50

**30** Calculate GDPMP & NNPPC from the above data:

a) 1789 & 2079 respectively  
b) 2079 & 1789 respectively  
c) 1663 & 1789 respectively  
d) 1789 & 1663 respectively

31 Compute the amount of subsidies from following data:  
GDP at market price (Rs. in crores) 7,79,567  
Indirect Taxes (Rs. in crores) 4,54,367  
GDP at factor cost (Rs. in crores) 3,60,815

- a) Rs. 15,94,749 Crores
- b) Rs. 35,615 Crores
- c) Rs. 6,86,015 Crores
- d) None

32 Calculate National Income by Value Added Method with the help of following data-

Sales	700
Opening stock	500
Intermediate Consumption	350
Closing Stock	400
Net Factor Income from Abroad	30
Depreciation	150
Excise Tax	110
Subsidies	50

- a) 270
- b) 100
- c) 70
- d) None

33 Calculate Operating Surplus

Compensation of employees	200
Intermediate Consumption	800
Rent	600
Interest	500
Consumption of fixed capital	300
Net Indirect Taxes	400
Mixed Income	700
Sales	2500

- a) 270
- b) 100
- c) 70
- d) None

34 Calculate National Income by Expenditure method

Private Final Consumption Expenditure	1000
Government Final Consumption Expenditure	800
Net factor Income from abroad	40
Net Indirect Taxes	60
Net Exports	-80
Net Domestic Capital Formation	70
National debt Interest	50
Net Current Transfer to abroad	20

- a) 1770
- b) 1850
- c) 1830
- d) 2050

35 Calculate Gross National Disposable income from the following data (in Rs. Crores)

NDP at factor cost	6000
Net factor income to abroad	-300
Consumption of fixed capital	400
Current transfers from government	-200
Net current transfers from rest of the world	500
Indirect taxes	700
Subsidies	600
NDP at factor cost	6000

- a) 7900
- b) 6700
- c) 7300
- d) 5700

Answer Key - Chapter 6 - New MCQS - set 1 (Unit - 1)

1	D	6	C	11	A	16	A	21	C	26	C	31	B
2	D	7	A	12	B	17	D	22	A	27	A	32	C
3	D	8	C	13	C	18	C	23	B	28	B	33	B
4	A	9	B	14	C	19	B	24	B	29	D	34	A
5	B	10	D	15	D	20	C	25	A	30	B	35	B

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New MCQs by MVSIR - Set 1

UNIT 2

1 Keynesian theory of income determination is presented in \_\_\_\_\_

- a) 2 Models
- b) 3 Models
- c) 4 Models
- d) 5 Models

2 Before Keynes, classical economists said that \_\_\_\_\_

- a) economy is self-regulating
- b) always capable of automatically achieving equilibrium at 'natural level' of real GDP
- c) Both a & b
- d) None of the above

3 The slope of consumption line is given by \_\_\_\_\_

- a) Average Propensity to Consume
- b) Marginal Propensity to Consume
- c) Average Propensity to Save
- d) Marginal Propensity to Save

4 Savings is an \_\_\_\_\_ of the level of income

- a) Increasing function
- b) Decreasing function
- c) Constant Function
- d) None of the above

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5 The more powerful leakages are - the smaller will be value of multiplier. The leakages are caused due to:

- a) progressive rates of taxation which result in no appreciable increase in consumption despite increase in income
- b) high liquidity preference and idle saving or holding of cash balances
- c) scarcity of goods and services despite having high MPC
- d) All of the above

6 When investment in an economy increases from Rs. 10,000 crores to Rs. 14,000 crores and as a result of this national income rises from Rs. 80,000 crores to Rs. 92,000 crores, compute investment multiplier.

- a) 4
- b) 3
- c) 2
- d) 6

7 If the leakages are greater than the injections, then national income will

- a) Rise
- b) Fall
- c) Be at equilibrium
- d) Any of the above

8 Given Consumption function  $C = 300 + 0.75Y$ ; Investment = Rs. 800; Net Imports = Rs. 100. Calculate equilibrium level of output.

- a) Rs. 2000
- b) Rs. 8000
- c) Rs. 4000
- d) Rs. 5000

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The equilibrium level of income of an economy is Rs. 2,000 crores. The autonomous consumption expenditure is equal to Rs.100 crores and investment expenditure is Rs.500 crores.

From the above information, answer the questions from 9 to 11

9 Calculate the Consumption expenditure level of National Income.

- a) Rs. 1500 Crores
- b) Rs. 400 Crores
- c) Rs. 200 Crores
- d) Rs. 1000 Crores

10 Calculate Marginal propensity to save (MPS) and Marginal propensity to consume (MPC) respectively.

- a) MPS = 0.4, MPC = 0.6
- b) MPS = 0.7, MPC = 0.3
- c) MPS = 0.3, MPC = 0.7
- d) MPS = 0.6, MPC = 0.4

11 Calculate Break-even level of Income.

- a) 0.33
- b) 333.33
- c) 33.33
- d) 3.33

12 Which of the following does Government sector adds to the circular flow of 2 sector model:

- a) Taxes on households and business sector
- b) Transfer payments to household sector and subsidy payments to business sector
- c) Govt purchases G/S from business sector and factors of prod from household
- d) All of the above

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13 If aggregate demand, is greater than the full employment level of output, then we say there is \_\_\_\_\_, thus leading to '\_\_\_\_\_'

- a) Deficient Demand, Inflationary Gap
- b) Excess Demand, Inflationary Gap
- c) Deficient Demand, Deflationary Gap
- d) Excess Demand, Contractionary Gap

14 Suppose Consumption function:  $C = 40 + 0.2Y$  and Investment is given by  $I = 30 + 0.3Y$ . What will be the equilibrium level of national income?

- a) 140
- b) 350
- c) 280
- d) None of the above

Suppose an economy:

Consumption Function (C)	$200 + 0.6Y_d$ , where $Y_d = Y - T$
Autonomous Investment (I)	Rs. 600 crores
Government Expenditure G	Rs. 900 crores
Taxes (T)	Rs.100 crores
Exports (X)	Rs.200 crores
Import Function (M)	$50 + 0.3Y$

Where Y and  $Y_d$  National Income and Personal Disposable Income respectively. All the figures are in Rupees.

From the above information, answer the questions from 15 to 17

15 Calculate Equilibrium level of GDP.  
a)  $Y = 2755.4$   
b)  $Y = 2577.4$   
c)  $Y = 2557.4$   
d) None of the above

16 Calculate Disposable Income.  
a)  $Y_d = 2457.14$   
b)  $Y_d = 2475.14$   
c)  $Y_d = 2450.24$   
d)  $Y_d = 2470.24$

17 Calculate Break-even level of Income.  
a) 250 Crore  
b) 350 Crore  
c) 150 Crore  
d) 450 Crore

18 \_\_\_\_\_ gives rise to a 'deflationary gap' or 'recessionary gap' or 'contractionary gap'.  
a) Sufficient Demand  
b) Excess Demand  
c) Deficient demand  
d) None of the above

19 How do imports affects investment multiplier?  
a) The greater will be propensity to import, the lower will be autonomous expenditure multiplier  
b) The lower will be propensity to import, the greater will be autonomous expenditure multiplier  
c) The greater will be propensity to import, the greater will be autonomous expenditure multiplier  
d) The lower will be propensity to import, the lower will be autonomous expenditure multiplier

20 If saving function  $S = -10 + 0.2Y$  and autonomous investment  $I = 50$  Crores. Find out  
i) equilibrium level of income, &  
ii) If "I" increases by Rs 5 cr, then new level of income respectively.  
a) i)  $Y = \text{Rs } 300 \text{ cr}$ , ii)  $Y = \text{Rs } 305 \text{ cr}$   
b) i)  $Y = \text{Rs } 305 \text{ cr}$ , ii)  $Y = \text{Rs } 310 \text{ cr}$   
c) i)  $Y = \text{Rs } 300 \text{ cr}$ , ii)  $Y = \text{Rs } 325 \text{ cr}$   
d) i)  $Y = \text{Rs } 305 \text{ cr}$ , ii)  $Y = \text{Rs } 300 \text{ cr}$

21 Calculate the Marginal Propensity to Consume (MPC) and Marginal Propensity to Save (MPS) from the following data:

Income (Y)	Consumption (C)	Level
Rs. 8,000	Rs. 6,000	Initial level
Rs. 12,000	Rs. 9,000	Changed level

a)  $MPC = 0.75$ ,  $MPS = 0.25$   
b)  $MPC = 0.25$ ,  $MPS = 0.75$   
c)  $MPC = 1.25$ ,  $MPS = 1.75$   
d)  $MPC = 1.75$ ,  $MPS = 1.25$

22 Suppose MPC is 0.8 and it is planned to increase National Income by Rs. 3000 Cr, then how much increase in investment is required to fulfill this target?  
a)  $\Delta I = 600 \text{ Crore}$   
b)  $\Delta I = 3750 \text{ Crore}$   
c)  $\Delta I = 2400 \text{ Crore}$   
d)  $\Delta I = 2200 \text{ Crore}$

23 An increase in investment by Rs. 700 crore leads to increase in national income by Rs 3,500 cr. Calculate marginal propensity to consume & change in saving.  
a)  $MPC = 0.8$ ,  $\Delta S = 2800 \text{ Crore}$   
b)  $MPC = 0.8$ ,  $\Delta S = 700 \text{ Crore}$   
c)  $MPC = 0.2$ ,  $\Delta S = 2800 \text{ Crore}$   
d)  $MPC = 0.2$ ,  $\Delta S = 700 \text{ Crore}$

The equation of 'consumption function' of an economy is as follows:  
 $C = \text{Rs } 450 + 0.70 y$   
From the above information you are required to answer questions from 24 to 26.

24 You are required to compute the consumption when disposable income (y) is Rs 3,500 and Rs 5,800 respectively.  
a) Consumption = 2900, 4510  
b) Consumption = 4510, 2900  
c) Consumption = 2600, 4510  
d) Consumption = 3900, 6250

25 Saving when disposable income (y) is Rs 3,500 and Rs 5,500.  
a) Saving = 900, 1500  
b) Saving = 1200, 600  
c) Saving = 600, 1200  
d) Saving = 1500, 900

26 Amount induced when disposable income is Rs 3,200.  
a)  $I = 510$   
b)  $I = 2690$   
c)  $I = 2240$   
d)  $I = 600$

27 Given Consumption function  $C = 300 + 0.75Y$ ;  
Investment = Rs. 800; Net Imports = Rs. 100  
Calculate equilibrium level of output.  
a)  $Y = \text{Rs. } 6000$   
b)  $Y = \text{Rs. } 5000$   
c)  $Y = \text{Rs. } 4000$   
d)  $Y = \text{Rs. } 7000$

For an Economy with the following specifications Consumption,  $C = 50 + 0.75 Y_d$   
Investment,  $I = 100$   
Government Expenditure,  $G = 200$   
Transfer Payments,  $TR = 110$   
Income Tax = 0.2Y  
From above info, ans ques from 28 & 29.

28 Find out the equilibrium of income and the value of expenditure multiplier.  
a)  $Y = 432.5 \text{ Crores}$ , Expenditure Multiplier = 1.67  
b)  $Y = 1081.25 \text{ Crores}$ , Expenditure Multiplier = 2.5  
c)  $Y = 1081.25 \text{ Crores}$ , Expenditure Multiplier = 1.67  
d)  $Y = 432.5 \text{ Crores}$ , Expenditure Multiplier = 2.5

29 If autonomous taxes worth Rs. 25 Crores are added. Find out equilibrium level of income.  
a) 1034.375 crores  
b) 1043.375 Crores  
c) 689.58 Crores  
d) 698.58 Crores

An Economy is characterized by the following equations:  
 $C = 40 + 0.6Y_d$ ,  $I = 20$ ,  $G = 40$ ,  $T = 2$ ,  
 $X = 30$ ,  $M = 25 + 0.02Y$   
From the above info, answer the questions 31 & 32.

30 What is the equilibrium income.  
a) 247.142  
b) 103.8  
c) 274.142  
d) 130.8

31 Calculate trade balance.  
a) 5 Cr.  
b) 4.94 Cr.  
c) 9.94 Cr.  
d) 6.94 Cr.

32 Calculate foreign trade multiplier.  
a) 2.83  
b) 2.38  
c) 0.42  
d) 0.24

Suppose in an economy  
Consumption Function,  
 $C = 170 + 0.80Y$   
Investment spending,  $I = 200$   
Government Spending,  $G = 150$   
Tax,  $T_x = 30 + 0.30Y$   
Transfer payments,  $Tr = 60$   
Exports,  $X = 45$   
Imports,  $M = 20 + 0.2Y$   
From the above information you are required to answer questions from 33 & 34

33 Calculate the equilibrium level of national income  
a) 889.06  
b) 691.87  
c) 113.37  
d) 569

34 Consumption of equilibrium level  
a) 889.06  
b) 113.37  
c) 691.87  
d) 569

35 The value of Investment Multiplier is given by-  
a)  $K = \Delta I / \Delta Y$   
b)  $K = \Delta I \times \Delta Y$   
c)  $K = \Delta Y \times \Delta I$   
d)  $K = \Delta Y / \Delta I$

36 When MPC rises, Investment multiplier \_\_\_\_  
a) Rises  
b) Falls  
c) Remains same  
d) MPC & k are not related

37 Keynes assumed that  
a) MPC will always be equal to 1  
b) MPC will always be more than 1  
c) MPC will always be less than 1  
d) MPC will always be less than 0

38 Higher the value of Marginal Propensity to Import (m) \_\_\_\_ the value of multiplier  
a) Higher  
b) Lower  
c) Same  
d) Can't say

Answer Key - Chapter 6 - New MCQs - Set 1 (Unit - 2)

1	B	6	B	11	B	16	A	21	A	26	A	31	C	36	A
2	C	7	B	12	D	17	B	22	A	27	C	32	B	37	C
3	B	8	C	13	B	18	C	23	B	28	B	33	A	38	B
4	A	9	A	14	A	19	A	24	A	29	A	34	C		
5	D	10	C	15	C	20	C	25	C	30	A	35	D		

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New MCQs by MVSIR - Set 2

UNIT 1

1 How will the following be treated in GDP & GNP- Profits earned by Company Y, an Indian company in UK.  
a) Included in India's GDP  
b) Included in UK's GDP  
c) Included in India's GNP  
d) Both b & c

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2 How GDP and GNP differ in their treatment of international transaction?  
a) GNP includes earnings of Indian corporations overseas and Indian residents working overseas but GDP excludes net factor income from abroad.  
b) GNP includes earnings of Indian corporations overseas and Indian residents working overseas and GDP includes net factor income from abroad.  
c) GNP excludes earnings of Indian corporations overseas and Indian residents working overseas and GDP includes net factor income from abroad.  
d) GNP excludes earnings of Indian corporations overseas and Indian residents working overseas but GDP excludes net factor income from abroad.

3 Transfer payments are excluded from calculation of National Income because \_\_\_\_  
a) These payments relate to the production of current year  
b) These payments made without goods or services being received in return  
c) They are already included in value of final goods.  
d) All of the above

4 \_\_\_\_ like excise duties, customs, sales tax, service tax etc., are levied by the government on goods and services and are generally related to the quantum of production.  
a) production taxes  
b) product taxes  
c) Both a and b  
d) None of the above

5 Calculate value of average propensity to save when-  
 $C = 350$  cr,  $Y = 1000$  cr,  $I = 200$  cr  
a) 0.35  
b) 0.20  
c) 0.65  
d) 0.80

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6 What are the conceptual problems confronted in estimating national income?

- a) lack of an agreed definition of national income,
- b) accurate distinction between final goods and intermediate goods
- c) issue of transfer payments
- d) All of the above

7 A sold a used car to B and receives Rs. 60,000. How much of the sale proceeds will be included in national income calculation?

- a) Full amount of sale proceeds of Rs. 60,000 will be included in national income.
- b) 50% of sale proceeds of Rs 60,000 will be included in national income.
- c) No part of the used car sale proceeds of Rs 60,000 will be included in national income calculation because sale of a used car represents transfer of existing asset which was produced during some earlier year and was accounted in the national income calculation of that year.
- d) None of the above

8 How are the following transactions treated in National Income Calculation?  
Fees paid to real estate agents and lawyers.

- a) Fees paid to real estate agents and lawyers represent current production and, therefore, are included in national income.
- b) Fees paid to real estate agents and lawyers do not represent current production and, therefore, are excluded in national income.
- c) Excluded sometimes
- d) None of the above

9 How are the following transactions treated in National Income Calculation?  
Electric power sold to a consumer household.

- a) Electric power sold to a consumer require further processing and undergo further transformation before use. Once a final goods has been sold, it passes out of the active economic flow. It will be excluded in national income.
- b) Electric power sold to a consumer does not require any further processing and does not undergo any further transformation before use. Once a final goods has been sold, it passes out of the active economic flow. It will be included in national income.
- c) Electric power sold to a consumer require further processing and undergo further transformation before use. Once a final goods has been sold, it passes out of the active economic flow. It will be included in national income.
- d) None of the above

10 How are the following transactions treated in national income calculation?  
Electricity sold to a steel plant.

- a) Being an intermediate good, electricity sold to a steel plant will not be included in national income calculation.
- b) Being an intermediate good, electricity sold to a steel plant will be included in national income calculation.
- c) Being final good, electricity sold to a steel plant will be included in national income calculation.
- d) None of the above

11 \_\_\_\_\_ is a part of country's total expenditure which is not consumed but added to the nation's fixed tangible assets and stocks

- a) Personal Final Consumption Expenditure
- b) Government Final Consumption Expenditure
- c) Gross Investment
- d) Personal Income

12 How are the following transactions treated in national income calculation?

A car manufacturer procuring parts and components from the market

- a) Value of parts and components procured from market by a car manufacturer will be included in national income calculation because these are intermediate goods used in car production.
- b) Value of parts and components procured from market by a car manufacturer will not be included in national income calculation because these are final goods used in car production.
- c) Value of parts and components procured from market by a car manufacturer will not be included in national income calculation because these are intermediate goods used in car production.
- d) None of the above

13 How are the following transactions treated in national income calculation?

A computer producer buys a robot produced in the same country and uses it in production of computers.

- a) The value of the robot would be included in national income calculation because the computer producer is the 'final consumer' of the robot and the robot is not resold in the market after value addition.
- b) The value of the robot would be excluded in national income calculation because the computer producer is the 'final consumer' of the robot and the robot is resold in the market after value addition.
- c) The value of the robot would be excluded in national income calculation because the computer producer is the 'intermediate consumer' of the robot and the robot is resold in the market after value addition.
- d) None of the above

14 \_\_\_\_\_ is a measure of actual current income receipts of persons from all sources which may or may not be earned from productive activities during a given period of time. It is income 'actually paid out' to household sector, but not necessarily earned.

- a) Personal Income
- b) Disposable Personal Income
- c) Gross investment
- d) Both a and b

15 \_\_\_\_\_ is a measure of amount of money in hands of individuals that is available for their consumption or savings.

- a) Personal Income
- b) Disposable Personal Income
- c) Net investment
- d) None of the above

16 For an Economy  
 $C = 40 + 0.75Y_d$ ,  $I = 60$ ,  $G = 75$ ,  
Transfer Payment = 100,  
Income Tax =  $0.2 Y$ .  
Calculate the equilibrium of Income.

- a) 625 cr
- b) 635 cr
- c) 721 cr
- d) 731 cr

17 Given the following equations:  
 $C = 50 + 0.6Y_d$ ,  $I = 160$ ,  $T = 30$ ,  
 $G = 28$ ,  $X - M = 20 - 0.05 Y$   
a) Find the equilibrium level of income.  
b) Find the net exports at equilibrium.

- a) 533.33 Crore ; -6.66 Crore
- b) 513.33 Crore ; -5.66 Crore
- c) 633.33 Crore ; -6.66 Crore
- d) 613.33 Crore ; -5.66 Crore

18 An Economy is characterised by the following equations:  
Consumption (C) =  $100 + 0.9 Y_d$   
Investment (I) = 100  
Government Expenditure (G) = 120  
Tax (T) = 50  
X (Exports) = 200  
M (Imports) =  $100 + 0.15 Y$   
i. What is the equilibrium Income?  
ii. Calculate trade balance.  
iii. What is the value of Foreign Trade Multiplier?

- a) 1400; -125; 2
- b) 1500; -125; 3
- c) 1500; -125; 4
- d) 1400; -125; 3

19 In the \_\_\_\_\_ there is a flow of factor incomes in the form of rent, wages, interest and profits from firms to the households.

- a) production phase
- b) Expenditure phase
- c) disposition phase
- d) income or distribution phase

Suppose in an economy  
 $C = 100 + b(Y - 50 - t.Y)$ ;  $I = 50$ ;  $G = 50$ ;  $X = 10$ ;  $M = 5 + 0.1Y$ ;  
MPC (b) = 0.8; Proportional income tax rate (t) = 0.25. Answer the ques 20 & 21 from above data

20 Find the equilibrium national income, foreign trade multiplier, equilibrium value of imports respectively.

- a) 340, 2, 36
- b) 380, 2, 34
- c) 350, 2, 32
- d) 330, 2, 38

21 If equilibrium national income falls short of full employment income by Rs. 50, how much government should increase its expenditure to attain full - employment?

- a) 20
- b) 25
- c) 35
- d) 40

22 The state level estimates are prepared by the \_\_\_\_\_

- a) Ministry of Corporate Affairs
- b) State Income Units of the respective State Directorates of Economics and Statistics (DESS)
- c) Central Statistics Organization
- d) None of the above

23 Suppose you are given following information  
 $C = 10 + 0.8Y_d$   
Tax,  $T = 50$   
Investment spending,  $I = 135$   
Government Spending,  $G = 60$   
Exports,  $X = 35$   
Imports,  $M = 0.05 Y$   
Where Y and  $Y_d$  are income and personal disposable income respectively.  
Find the equilibrium level of income and net exports.

- a) 800 & -4
- b) 400 & -5
- c) 800 & -5
- d) 400 & -4

24 An economy is characterized by the following equation  
Consumption,  $C = 60 + 0.9Y_d$   
Investment,  $I = 10$   
Government expenditure,  $G = 10$   
Tax,  $T = 0$   
Exports,  $X = 20$   
Imports,  $M = 10 + 0.05 Y$   
Find equilibrium income and trade balance.

- a) 600 & -20
- b) 700 & -30
- c) 600 & 20
- d) 700 & 30

25 Find nominal GDP if real GDP = 450 and price index = 120

- a) 540
- b) 375
- c) 504
- d) 357

26 Suppose nominal GNP of a country in year 2010 is given at Rs. 600 Crores and price index is given as base year 2010 is 100. Now let the nominal GDP increases to Rs. 1200 Crores in year 2018 and price index rises to 110, find out real GDP?

- a) 1320 Crores
- b) 1230 Crores
- c) 1,090.9 Crores
- d) 1,900.9 Crores

27 The nominal and real GDP respectively of a country in a particular year are 5000 Crores and 6000 Crores respectively. Calculate GDP deflator and analyze the on the level of prices of the year in comparison with the base year.

- a) The price level has risen since GDP deflator is less than 100 at 83.33
- b) The price level has fallen since GDP deflator is less than 100 at 83.33
- c) The price level has risen since GDP deflator is more than 100 at 120
- d) The price level has fallen since GDP deflator is less than 100 at 120

The Nominal GDP and Real GDP of a country in the financial year 2018-19 were Rs1,500 crore and Rs 1,200 crore respectively, answer the ques 28 and 29 using the above data.

28 Calculate GDP deflator in the financial year 2018-19 and comment.

- a) 125
- b) 80
- c) 132
- d) None

29 Calculate Inflation rate in the financial year 2019-20 assuming GDP deflator rate in this year is 140 as compared to the year 2018-19.

- a) 75%
- b) 12%
- c) 6.06%
- d) None

From the following data, calculate NNPFc

Operating surplus	2,000
Mixed income of self-employed	1,100
Rent	550
Profit	800
Net indirect tax	450
Consumption of fixed capital	400
Net factor income from abroad	-50
Compensation of employees	1,000

- a) 4,050
- b) 5,050
- c) 4,950
- d) 5,950

31 Calculate the aggregate value of depreciation when the GDP at market price of a country in a particular year was Rs. 1,100 Crores. Net Factor Income from Abroad was Rs. 100 Crores. The value of Indirect taxes - Subsidies was Rs. 150 Crores and National Income was Rs. 850 Crores.

- a) 200
- b) 300
- c) 400
- d) 500

The following information is related to an economy:

Particulars	(Rs.) In Crore
Domestic Sales	3600
Opening Stock	800
Exports	1000
Depreciation	300
Closing Stock	200
Net indirect tax	400
Intermediate consumption	600
Net factor income from abroad	10

Answer the MCQs 32(i) to 32(v) as per above table

32 Calculate the Gross Value of Output (GVO<sub>MP</sub>)

- a) 4000
- b) 5200
- c) 2500
- d) 4500

32 Calculate the Gross Value Added (GVA<sub>MP</sub>)

- a) 3900
- b) 4600
- c) 5800
- d) 3400

32 Calculate the Net Value Added (NVA<sub>MP</sub>)

- a) 3500
- b) 3100
- c) 5200
- d) 4000

32 Calculate the Net Domestic Product (NDP<sub>FC</sub>)

- a) 3500
- b) 2700
- c) 3100
- d) 4800

32 Calculate the Net National Product (NNP<sub>FC</sub>)

- a) 2690
- b) 3510
- c) 4810
- d) 2710

33 Calculate the NNP at factor cost using value added method with the help of following data -

Particulars	(Rs.) In Crore
Domestic Sales	3600
Opening Stock	800
Exports	1000
Depreciation	300
Closing Stock	200
Net indirect tax	400
Intermediate consumption	600
Net factor income from abroad	10

- a) 2280
- b) 1280
- c) 920
- d) 2710

34 Calculate value of output from the following data:

Sr No.	Particulars	In lakhs
1.	Net value added at factor cost	800
2.	Intermediate consumption	500
3.	Excise duty	400
4.	Subsidy	60
5.	Depreciation	80

- a) ₹ 1720 lakhs
- b) ₹ 720 lakhs
- c) ₹ 880 lakhs
- d) ₹ 1100 lakhs

35 Calculate Gross value at factor cost

Sr No.	Particulars	In lakhs
1.	Units of output sold (Unit)	1000
2.	Price per unit of output (₹)	30
3.	Depreciation (₹)	1000
4.	Intermediate cost (₹)	12000
5.	Closing Stock (₹)	3000
6.	Opening Stock (₹)	2000
7.	Excise (₹)	2500
8.	Sales Tax (₹)	3500

- a) ₹ 17000
- b) ₹ 16000
- c) ₹ 13000
- d) ₹ 12000

36 Calculate Net Value Added by Factor Cost from the following data

Particulars	(Rs.) In Crore
Purchase of materials	85
Sales	450
Depreciation	30
Opening stock	40
Closing stock	30
Excise tax	45
Intermediate consumption	200
Subsidies	15

- a) 350
- b) 240
- c) 300
- d) 180

37 Calculate the amount of depreciation from the following data

Particulars	(Rs.) In Crore
GDP at Market Price (GDPMP)	8,76,532
Net factor income from abroad	(-) 232
Aggregate amount of Indirect Taxes	564
Subsidies	30
National Income (NNPFC)	8,46,576

a) 29,190  
b) 21,910  
c) 29,310  
d) 21,390

39 Calculate Net Domestic Product at Factor Cost from the following data:

Particulars	Amount (In Rs crore)
Wages	7,142
Mixed Income	450
Rent	541
Salaries	8,912
Interest	1,013
Profit	714

a) 18,772  
b) 16,746  
c) 17,772  
d) 15,746

38 Calculate 'Sales' from the following data:

Particulars	Rs. In lakhs
Subsidies	200
Opening stock	100
Closing stock	600
Intermediate consumption	3,000
Consumption of fixed capital	700
Profit	750
Net value added at factor cost	2,000

a) 3000  
b) 5000  
c) 3700  
d) 2000

40 From the following data, calculate NNPFC

Particulars	Amount (In Crore)
Operating surplus	2,000
Mixed income of self-employed	1,100
Rent	550
Profit	800
Net indirect tax	450
Consumption of fixed capital	400
Net factor income from abroad	-50
Compensation of employees	1,000

a) 4,050  
b) 4,500  
c) 4,900  
d) 4,950

41 Calculate GDPMP from the following data:

Particulars	(Rs.) In Crore
Net indirect tax	208
Consumption of fixed capital	42
Net factor income from abroad	-40
Rent	311
Profits	892
Interest	81
Loyalty	6
Wages and salary	489
Employer's contribution to Social Security Scheme	50

a) 1,789  
b) 829  
c) 2,079  
d) 1,829

Following information, relating to a particular financial year, are given as under:

	In Crores
Sales	3,500
Intermediate consumption	400
Closing Stock	300
Opening Stock	200
Net indirect tax	600
Mixed income	200
Consumption of fixed capital	400
Compensation of employees	400

Answer the MCQs 43(i) to 43(iii) as per above table

43 (i) Calculate the GVAmp

a) Rs. 3,200 Crore  
b) Rs. 2,800 Crore  
c) Rs. 2,200 Crore  
d) Rs. 1,600 Crore

42 Calculate NNPFC from below data:

Particulars	In Cr.
Net indirect tax	208
Consumption of fixed capital	42
Net factor income from abroad	-40
Rent	311
Profits	892
Interest	81
Loyalty	6
Wages and salary	489
Employer's contribution to Social Security Scheme	50

a) 1,789  
b) 829  
c) 2,079  
d) 1,829

43 (ii) Calculate the NDPMP

a) Rs. 3,200 Crore  
b) Rs. 2,800 Crore  
c) Rs. 2,200 Crore  
d) Rs. 1,600 Crore

43 (iii) Calculate the Operating Surplus

a) Rs. 3,200 Crore  
b) Rs. 2,800 Crore  
c) Rs. 2,200 Crore  
d) Rs. 1,600 Crore

44 Calculate the Operating Surplus with the help of following data

Particulars	(Rs.) In Crore
Sales	4000
Compensation of employees	800
Intermediate consumption	600
Rent	400
Interest	300
Net indirect tax	500
Consumption of Fixed Capital	200
Sales	4000

a) 1,500  
b) 2,700  
c) 3,200  
d) 3,400

45 Compute National income

Particulars	Amount
Consumption	750
Investment	250
Government Purchases	100
Exports	100
Imports	200

a) 1,000  
b) 1,200  
c) 1,100  
d) 1,300

46 From the following data ans Ques 46 & 47. Calculate Gross Domestic Product at Factor Cost

Particulars	Rs. In Crores
Gross national product at factor cost	61,500
Net exports	- 50
Compensation of employees	3000
Rent	800
Interest	900
Profit	1,300
Net indirect taxes	300
Net domestic capital formation	800
Gross domestic capital formation	900
Factor income to abroad	80

- a) 1,300  
b) 6,100  
c) 6,400  
d) None

47 Calculate Gross Domestic Product at Market price.

a) 1,300  
b) 6,100  
c) 6,400  
d) None

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48 Calculate Net National Product at Market Price

Particulars	Rs. in Crores
Compensation employees	800
Profit	300
Rent	200
Mixed income of self employed	600
Net Factor income from abroad	25
Interest	60
Import	40
Export	15
Consumption of fixed Capital	30
Net Indirect taxes	20
Net current transfer to abroad	10

- a) Rs. 1,985 Cr  
b) Rs. 2,005 Cr  
c) Rs. 1,960 Cr  
d) Rs. 1,965 Cr

Following data, relating to an economy of country, for current year are-

Particulars	(In Cr ₹)
GDP MP	6550
Gross Investment (Including Business fixed investment, Residential construction investment, Public & Inventory investment)	1000
Government Purchases of goods and services	1500
Exports	400
Imports	350
GNP MP	6600
Indirect Taxes	200
Depreciation	200

Answer ques from 49(i) to 49(iii) from above data:

49 (i) Find out the Private Final Consumption Expenditure

a) ₹ 4,000 crores  
b) ₹ 2,500 crores  
c) ₹ 3,000 crores  
d) None

49 (ii) Find out the Net Factor Income from Abroad

a) ₹ 25 crores  
b) ₹ 40 crores  
c) ₹ 50 crores  
d) None

49 (iii) Find out the NNPrc or National Income

a) ₹ 6,250 crores  
b) ₹ 6,200 crores  
c) ₹ 6,300 crores  
d) ₹ 6,550 crores

50 Calculate NNPrc. By expenditure method with the help of following information

Particulars	₹ in Cr
Private final consumption expenditure	10
Net Import	20
Public final consumption expenditure	05
Gross domestic fixed capital formation	350
Depreciation	30
Subsidy	100
Income paid to abroad	20
Change in stock	30
Net acquisition of valuables	10

- a) 435  
b) 385  
c) 535  
d) 300

51 Given the following data, determine the National Income of a country using expenditure & income method respectively.

Particulars	Rs. in Lakhs
Private Final Consumption Expenditure	1,000
Government Final Consumption Expenditure	550
Compensation of Employees	600
Net Exports	-15
Net Indirect Taxes	60
Net Domestic Fixed Investment	385
Consumption of Fixed Capital Formation	65
Net Factor Income from Abroad	-10
Interest	310
Rent	200
Mixed Income of Self-Employed	350
Profit	400

- a) 1850, 1850  
b) 1910, 1860  
c) 1850, 1860  
d) 1910, 1850

52 Calculate Gross Domestic Product at market Prices (GDPMP) and derive national income from the following data (in Crores of Rs.)

Particulars	Amount
Inventory Investment	100
Exports	200
Indirect taxes	100
Net factor income from abroad	- 50
Personal consumption expenditure	3,500
Gross residential construction investment	300
Depreciation	50
Imports	100
Government purchases of goods and services	1000
Gross public investment	200
Gross business fixed investment	300

- a) 5,450  
b) 5,350  
c) 5,500  
d) 5,300

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53 Calculate National Income with the help of Expenditure & Income Method respectively.

Particulars	In Crore
Compensation of employees	1600
Profit	700
Net factor Income from above abroad	40
Indirect Taxes	200
Subsidies	80
Private Final Consumption Expenditure	1800
Net domestic capital formation	900
Depreciation	150
Interest	600
Rent	400
Mixed Income of self employed	800
Export	50
Import	30
Government Final consumption expenditure	1,100
Employees contribution to social security scheme	400

- a) 3,970 & 4,410  
b) 3,740 & 4,140  
c) 4,410 & 3,970  
d) 4,140 & 3,740

54 Calculate national income using income & expenditure method respectively from data given below:

Particulars	(Rs.) In Crore
Government purchase of goods and services	7,000
Indirect tax	9,000
Subsidies	1,800
Gross business fixed capital	13,000
Inventory Investment	3,000
Consumption of fixed capital	4,000
Personal consumption expenditure	51,000
Export of goods and services	4,800
Net factor income from abroad	(-) 300
Imports of goods and services	5,600
Mixed income of self employed	28,000
Rent, interest and profits	10,000
Compensation of employees	24,000

- a) 68,900 & 61,700  
b) 61,700 & 61,700  
c) 61,700 & 68,900  
d) None of the above

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55 Calculate the National Income with the help of Income and Expenditure Method respectively.

Particulars	(Rs.) In Crore
Net-factor income from abroad	50
Compensation of employees	1000
Net Indirect taxes	150
Rent	500
Profit	700
Private final consumption expenditure	1,500
Net domestic capital formation	600
Depreciation	200
Interest	500
Mixed Income of self employed	900
Export	90
Import	60
Government final Consumption expenditure	1,200
Operating surplus	1,700
Contribution to social security Scheme	250

a) 3,230 Cr. & 3,650 Cr.  
b) 3,200 Cr. & 3,500 Cr.  
c) 3,500 Cr. & 3,200 Cr.  
d) 3,650 Cr. & 3,230 Cr.

The following data is available for a company:

Particulars	Amount (in ₹ Crore)
Gross Value Added (GVAMP)	2,750
Sales	3,450
Closing Stock	750
Interest	200
Opening Stock	900
Net indirect taxes	550
Rent	310
Mixed income	380
Compensation employees	600
Consumption of fixed capital	320

Answer the following MCQs from 56(i) to 56(iii) based on above table

56 (i) Compute Amount of Intermediate Consumption.

- a) ₹ 560 Crores
- b) ₹ 550 Crores
- c) ₹ 570 Crores
- d) None of the above

56 (ii) Compute Net Domestic Product at Factor Cost (NDPFC).

- a) ₹2430 crores
- b) ₹2750 crores
- c) ₹1880 crores
- d) None of the above

56 (iii) Compute Profit of the company

- a) ₹ 390 crores
- b) ₹ 310 crores
- c) ₹ 350 crores
- d) None of the above

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57 Calculate Gross Domestic Product at market price (GDPMP) and derive National Income from the following data (in Crores of Rupees)

Particulars	(Rs.) In Crore
Inventory investment	400
Exports	350
Indirect taxes	150
Net factor income from abroad	- 75
Personal consumption expenditure	7,500
Gross residential construction investment	700
Depreciation	100
Imports	200
Government purchases of goods and services	1,800
Gross public investment	400
Gross business fixed investment	375

- a) 11,250
- b) 11,325
- c) 11,000
- d) 11,100

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58 Calculate GDP and National Income respectively from the Following data:

Items	Rs in Crores
Depreciation	400
Exports	1,200
Imports	900
Net Factor income from rest of the world	600
Change in business inventories	200
Gross private domestic fixed Investment	400
Indirect Taxes	7,000
Subsidies	500
State government consumption and investment expenditure	700
Central government consumption and investment expenditure	800
Private Consumption Expenditure	5,000

- a) 7,400 & 1,500
- b) 1,500 & 7,400
- c) 6,500 & 1,500
- d) 1,500 & 6,500

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59 Compute GDP at market price and Mixed Income of Self-Employed respectively from the data given below

Particulars	In Crore
Compensation of Employees	810
Depreciation	26
Rent, Interest and Profit	453
NDP at factor cost	1,450
Subsidies	18
Net factor Income from Abroad	(-) 17
Indirect taxes.	57

- a) 1,476 & 190
- b) 1,515 & 187
- c) 1,610 & 190
- d) 1,610 & 187

60 Calculate Personal Income from the following data:

Particulars	In Crore
Undistributed profits of corporation	50
Net domestic product accruing to private sector	700
Corporation tax	65
Net factor income from abroad	10
Net current transfer from rest of the world	20
Net current transfer from the government	25
Interest on national debt	40

- a) 650
- b) 680
- c) 610
- d) None of the above

61 From the following data, estimate National Income and Personal Income respectively.

Items	Rs. in Crores
Net national product at market price	1,891
Income from property and entrepreneurship accruing to government administrative departments	45
Indirect taxes	175
Subsidies	30
Saving of non-departmental enterprises	10
Interest on National debt	15
Current transfers from government	35
Current transfers from rest of the world	20
Saving of private corporate sector	25
Corporate profit tax	25

- a) 1,746 & 1,711
- b) 1,711 & 1,746
- c) 1,700 & 1,750
- d) None of the above

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62 On basis of following information, calculate NNP at market price and Disposable personal income respectively.

Items	Rs. in Crores
NDP at factor cost	14,900
Income from domestic product accruing to government	150
Interest on National debt	170
Transfer payment by government	60
Net private donation from abroad	30
Net factor income from abroad	80
Indirect taxes	335
Direct taxes	100
Subsidies	262
Taxes on corporate profits	222
Undistributed profits of corporations	105

- a) 15,053 & 14,663
- b) 14,663 & 15,053
- c) 14,763 & 14,980
- d) 14,980 & 14,763

Notes-

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63 From the following data calculate National Income & Personal disposable income respectively.

Particulars	In Crore
Personal Income	8,000
Mixed Income of self employed	2,000
Compensation of employees	1,600
Net-factor Income from abroad	-200
Rent	1,500
Personal Income Taxes	800
Profit	1,400
Consumption of fixed capital	600
Direct taxes paid by households	900
Non-Tax Payments	1,000
Net Indirect taxes	700
Net Exports Taxes	-180
Interest	1,100

- a) 6200 & 7400
- b) 7400 & 6200
- c) 7000 & 7200
- d) 7200 & 7000

Notes-

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64 Calculate Private Income from the following data:

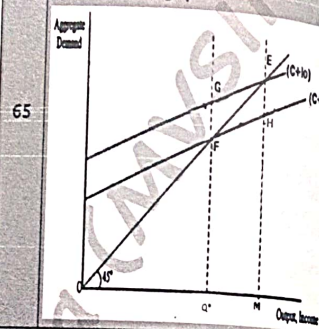
Particulars	In Crore
National Income	5,000
Income from domestic product accruing to private sector	400
Saving of private corporate sector	250
Current Transfer from government administrative departments	600
Current Transfer from of the world	200
Corporate Tax	80
Direct personal tax	160
Net factor Income from abroad	(70)

a) 5470  
b) 1270  
c) 1130  
d) 5630

Notes-

New MCQs by MVSIR - Set 2 - Unit 2

Assuming  $OQ^*$  is the full employment level of output, what is the deflationary/inflationary gap?



- 65
- a) deflationary gap is FG  
b) inflationary gap is FG  
c) inflationary gap is EH  
d) deflationary gap is EH

66 What would happen if aggregate expenditures were to exceed the country's economy's production capacity?

- a) "demand-pull" inflation or higher price level.  
b) "Cost-push" inflation or lower price level.  
c) Stagflation or higher price level.  
d) None of the above

67 Find out the MPC, when in an economy total income increases by Rs. 7500 crores due to increase in investment by Rs. 2500 crore?

- a) MPC = 0.88  
b) MPC = 0.77  
c) MPC = 0.66  
d) MPC = 0.55

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68 Calculate Multiplier and Marginal Propensity to Consume (MPC) with the help of following information:

Particulars	Rs.	Rs.
Investment	1600	2000
National Income	5000	6600

- a) Multiplier = 4, MPC = 0.75  
b) Multiplier = 2, MPC = 1.50  
c) Multiplier = 5, MPC = 0.60  
d) None of the above

69 How is aggregate consumption function affected, if: An impending war is expected to result in shortage of goods and an adoption of a rationing system

- a) Supply will be less, demand will be high  
b) Increase in prices, reducing the disposable income  
c) Reduction in aggregate consumption downwards.  
d) All of the above.

70 How is aggregate consumption function affected, if: Increased cost for steel, oil etc. are expected to result in higher prices for consumer goods

- a) Reduces the supply  
b) increased demand and prices will go up  
c) aggregate consumption function to decline  
d) All of the above

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71 How is aggregate consumption function affected, if: The leadership assures that economic policy is bringing the recession to an end.

- a) assurance will increase the aggregate consumption function  
b) mere assurance will not increase the aggregate consumption function till the effect is realised by both the producer and consumer  
c) Both b and c  
d) None of the above

72 What are the factors that causes leakages in the multiplier?

- a) progressive rates of taxation  
b) high liquidity preference and idle saving  
c) increased demand for consumer goods  
d) All of the above

73 If increased income goes out of the cycle of consumption expenditure, there is a leakage from income stream which-

- a) reduces the multiplier  
b) increases the multiplier  
c) Does not affect the multiplier  
d) Any of the above.

74 Greater the value of imports \_\_\_\_\_

- a) Greater will be propensity to import, lower will be autonomous expenditure multiplier  
b) Lower will be propensity to import, higher will be autonomous expenditure multiplier  
c) Both a and b  
d) None of the above

Assume an economy's consumption function is specified by the equation  $C = 500 + 0.80Y$ . Using the above data, ans questions from 75 to 78

75 What will be the consumption when disposable income (Y) is Rs. 4,000, Rs. 5,000, and Rs. 6,000 respectively?

- a) Rs. 3,500, Rs. 4,600, Rs. 5,500
- b) Rs. 3,700, Rs. 4,500, Rs. 5,300
- c) Rs. 3,800, Rs. 4,200, Rs. 5,100
- d) Rs. 3,200, Rs. 4,600, Rs. 5,200

76 Find saving when disposable income is Rs. 4,000, Rs. 5,000, and Rs. 6,000.

- a) Rs. 300, Rs. 600, Rs. 800
- b) Rs. 400, Rs. 200, Rs. 500
- c) Rs. 300, Rs. 500, Rs. 700
- d) Rs. 600, Rs. 200, Rs. 500

77 What amount of consumption for consumption function C is autonomous?

- a) Rs. 500
- b) Rs. 600
- c) Rs. 700
- d) Rs. 800

78 What amount is induced when disposable income is Rs. 4,000, Rs. 5,000, Rs. 6,000 respectively-

- a) Rs. 3800, Rs. 4100, Rs. 4500
- b) Rs. 3500, Rs. 4500, Rs. 4700
- c) Rs. 3200, Rs. 4400, Rs. 4600
- d) Rs. 3700, Rs. 4000, Rs. 4800

79 Suppose MPC is 0.8 and it is planned to increase National Income by Rs. 3000 Crore, then how much increase in investment is required to fulfill this target?

- a) 500 Crore.
- b) 600 Crore.
- c) 700 Crore.
- d) 800 Crore.

80 In an economy investment expenditure is increased by Rs. 400 Crores and marginal propensity to consume is 0.8. Calculate the total increase in income and saving.

- a) Rs 3,000 Crores & Rs 500 Crores
- b) Rs 2,000 Crores & Rs 400 Crores
- c) Rs 1,000 Crores & Rs 200 Crores
- d) Rs 500 Crores & Rs 100 Crores

81 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) Rs. 1700 Crores. & Rs. 800 Crores.
- b) Rs. 1600 Crores. & Rs. 900 Crores.
- c) Rs. 1500 Crores. & Rs. 900 Crores.
- d) Rs. 1400 Crores. & Rs. 800 Crores.

82 An increase in investment by 400 Crores leads to increase in national income by 1,600 Crores. Calculate marginal propensity to consume.

- a) 0.75
- b) 0.25
- c) 0.65
- d) 0.35

83 Suppose consumption is given by:  $C = 10 + 0.6Y$

Now if, Investment increases by Rs. 100 Crores then what will be its effect on income (Y) ?

- a) increase in investment by Rs 100 Crores will cause equilibrium income to rise by Rs. 150 Crores.
- b) increase in investment by Rs 100 Crores will cause equilibrium income to rise by Rs. 250 Crores.
- c) increase in investment by Rs 100 Crores will cause equilibrium income to rise by Rs. 550 Crores.
- d) None of the above

84 When investment in an economy increases from Rs. 10,000 crores to Rs. 14,000 crores and as a result of this national income rises from Rs. 80,000 crores to Rs. 92,000 crores, compute investment multiplier.

- a) 3
- b) 4
- c) 5
- d) 6

85 Calculate marginal propensity to consume and marginal propensity to save from the following data about an economy which is in equilibrium:  
National income = 2500,  
Autonomous consumption expenditure = 300,  
Investment expenditure = 100

- a) MPC = 0.84, MPS = 0.16
- b) MPC = 0.16, MPS = 0.84
- c) MPC = 0.81, MPS = 0.19
- d) MPC = 0.19, MPS = 0.81

86 Suppose the consumption of an economy is given by  $C = 20 + 0.6Y$  and investment  $I = 10 + 0.2Y$ . What will be the equilibrium level of National Income?

- a) 140
- b) 150
- c) 170
- d) 170

87 Suppose the consumption function  $C = 7 + 0.5Y$ , Investment is Rs. 100, Find out equilibrium level of Income, consumption and saving?

- a)  $Y = 216, C = 115, S = 110$
- b)  $Y = 215, C = 115, S = 110$
- c)  $Y = 214, C = 114, S = 100$
- d)  $Y = 213, C = 114, S = 100$

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

- a)  $Y = 2650, C = 2550, S = 500$
- b)  $Y = 2950, C = 2250, S = 600$
- c)  $Y = 2850, C = 2350, S = 200$
- d)  $Y = 2750, C = 2450, S = 300$

89 If saving function  $S = -10 + 0.2Y$  and autonomous investment  $I = 50$  Crores. Find out the equilibrium level of income and consumption.

- a)  $Y = 325$  Crores ;  $C = 270$  Crores
- b)  $Y = 300$  Crores ;  $C = 250$  Crores
- c)  $Y = 225$  Crores ;  $C = 230$  Crores
- d)  $Y = 125$  Crores ;  $C = 220$  Crores

90 Given the empirical consumption function  $C = 100 + 0.75Y$  and  $I = 1000$ , calculate equilibrium level of national income

- a) 4400
- b) 4500
- c) 4600
- d) 4700

Suppose we have the following data about a simple economy:  $C = 10 + 0.75Y_d, I = 50, G = T = 20$  where C is consumption, I is investment,  $Y_d$  is disposable income, G is government expenditure and T is tax. Answer the ques 91 to 92 from above data

91 Find out the equilibrium level of national income.

- a) 260
- b) 250
- c) 240
- d) 270

92 What is the size of the multiplier?

- a) 4
- b) 3
- c) 2
- d) 1

93 Suppose the structural model of an economy is given -  
 $C = 100 + 0.75 Y_d$ ;  $I = 200$ ,  $G = T = 100$ ;  $TR = 50$ ,  
Find the equilibrium level of income?

- a) 1650
- b) 1550
- c) 1450
- d) 1750

94 For a closed economy, the following data is given -  
Consumption  $C = 75 + 0.5 (Y - T)$ ;  
Investment  $I = 80$ ;  
Total tax  $T = 25 + 0.1Y$ ;  
Government expenditure  $G = 100$ .

a) Find out equilibrium income?  
b) What is the value of multiplier?

- a) 441.91 & 2.32
- b) 540.91 & 1.95
- c) 541.91 & 1.55
- d) 440.91 & 1.82

95 Suppose  $C = 100 + 0.80 (Y - T + TR)$ ;  $I = 200$ ;  $T = 25 + 0.1Y$ ;  $TR = 50$ ;  $G = 100$

Find out equilibrium level of Income?

- a) 1600
- b) 1200
- c) 1400
- d) 1500

96 "Net Exports" can be negative or positive. Which of the below statement is correct?

- a) Net exports are the difference between exports and imports of a country during the accounting year. It can be positive or negative.
- b) If a country's exports are larger than its imports, then a country is said to have a trade surplus else it will be trade deficit.
- c) Export stimulates economic growth by creating jobs which could potentially reduce poverty and augmenting factor incomes and in so doing raising the standard of livelihood and overall demand for goods and services
- d) All of the above

97 The consumption function is  $C = 40 + 0.8Y_d$ ;  $T = 0.1Y$ ,  $I = 60$  Crores  $G = 40$  Crores,  $X = 58$  and  $M = 0.05 Y$ . Find out equilibrium level of income & Net Export respectively

- a) 700 crores, 45 crores
- b) 600 crores, 28 crores
- c) 500 crores, 32 crores
- d) 400 crores, 48 crores

98 An economy is characterised by the following equation

Consumption  $C = 60 + 0.9Y_d$   
Investment  $I = 10$   
Government expenditure  $G = 10$   
Tax  $T = 0$   
Exports  $X = 20$   
Imports  $M = 10 + 0.05 Y$

Calculate trade balance and foreign trade multiplier respectively.

- a) -20 & 6.66
- b) -30 & 5.23
- c) -40 & 4.45
- d) -50 & 3.55

The equation of 'consumption function' of an economy is as follows:  
 $C = Rs\ 450 + 0.70 y$ . Answer the ques 99 to 101 from above data.

99 Compute Consumption when disposable income (y) is Rs 3,500 and Rs 5,800 respectively.

- a) 2500 & 4710
- b) 2900 & 4510
- c) 2800 & 4610
- d) 2700 & 4510

100 Compute the Saving when disposable income (y) is Rs 3,500 and Rs 5,500 respectively.

- a) 800 & 1100
- b) 700 & 1200
- c) 600 & 1200
- d) 500 & 1100

101 Amount induced when disposable income is Rs 3,200.

- a) 510
- b) 520
- c) 530
- d) 540

102 Given Consumption function  $C = 300 + 0.75Y$ ;  
Investment = Rs. 800; Net Imports = Rs. 100  
Calculate equilibrium level of output.

- a) Rs. 5000
- b) Rs. 4000
- c) Rs. 3000
- d) Rs. 2000

103 Suppose Consumption function of the economy is given by:  $C = 40 + 0.2 Y$  and Investment Function is given by:  $I = 30 + 0.3Y$ . What will be equilibrium level of national Income?

- a) 140
- b) 150
- c) 160
- d) 170

Suppose the consumption function is  $C = 50 + 0.8Y_d$ ,  $I = 180$  crores,  $G = 190$  crores,  $T = 0.20Y$   
Answer the ques 104 to 106 from above data.

104 Find the equilibrium level of income.

- a) 1666.66 Crores
- b) 1116.66 Crores
- c) 1166.66 Crores
- d) 1106.66 Crores

105 Find the revenue from taxes at equilibrium. Is government budget balanced?

- a) 233.332, budget is unbalanced
- b) 233.332, budget is balanced
- c) 180, budget is unbalanced
- d) 180, budget is balanced

106 Find the equilibrium level of income when investment increases by 120 crores.

- a) 1419.99 Crore
- b) 1999.99 Crore
- c) 1449.99 Crore
- d) 1499.99 Crore

107 For the linear consumption function is  $C = 700 + 0.8Y$ ;  
 $I$  is Rs. 1200 and  
Net exports  $X - M = 100$ .  
Find equilibrium output?

- a) 10,000
- b) 20,000
- c) 30,000
- d) 40,000

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credit:- Thank you Malavika

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MCQ Compiler

Chapter 6

Answer Key – Chapter 6 – New MCQS - Set 2 (Unit – 1)

1	D	11	C	21	B	31	A	37	A	45	A	53	B	61	A
2	A	12	C	22	B	32 (i)	A	38	B	46	B	54	B	62	A
3	B	13	A	23	C	32 (ii)	D	39	A	47	C	55	D	63	B
4	B	14	A	24	A	32 (iii)	B	40	A	48	B	56 (i)	B	64	C
5	C	15	B	25	A	32 (iv)	B	41	C	49 (i)	A	56 (ii)	C		
6	D	16	A	26	C	32 (v)	D	42	A	49 (ii)	C	56 (iii)	A		
7	C	17	A	27	B	33	D	43 (i)	A	49 (iii)	B	57	B		
8	A	18	C	28	A	34	A	43 (ii)	B	50	A	58	A		
9	B	19	D	29	B	35	C	43 (iii)	D	51	A	59	B		
10	A	20	D	30	A	36	D	44	A	52	C	60	B		

Answer Key – Chapter 6 – New MCQS - Set 2 (Unit – 2)

65	B	75	B	85	A	95	D	105	A
66	A	76	C	86	B	96	D	106	D
67	C	77	A	87	C	97	B	107	A
68	A	78	D	88	D	98	A		
69	D	79	B	89	B	99	B		
70	D	80	B	90	A	100	C		
71	D	81	C	91	A	101	A		
72	D	82	A	92	A	102	B		
73	A	83	B	93	C	103	A		
74	A	84	A	94	D	104	C		

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CA Foundation – New Syllabus  
Business Economics

Chapter 6

Determination of National  
Income

ICAI Extra MCQs,  
MTP & PYQ MCQs

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ICAI Extra MCQs

1 Demand for final consumption arises in:

- a) Household sector only.
- b) Government sector only.
- c) Both household and government sector.
- d) Neither household nor government sector.

2 What is the value of investment Multiplier when saving function is represented as  $S = -60 + 0.2y$ ?

- a) 2
- b) 5
- c) 4
- d) 0.2

3 Which of the following is a FALSE statement?

- a) The very long run focuses on the growth of productive capacity
- b) In the very long run, the productive capacity is assumed to be given
- c) In the very short run, shifts in aggregate demand determine how much output is produced
- d) Fluctuations in the rates of inflation and unemployment are important long-run issues

4 Transfer payments are:

- a) Excluded when calculating GDP because they only reflect inflation
- b) Excluded when calculating GDP because they do not relate to current year production
- c) Included when calculating GDP because they are a category of investment spending
- d) Included when calculating GDP because they increase the spending of recipients

5 An increase in marginal propensity to consume will

- a) Lead to the consumption function becoming steeper
- b) Shift the consumption function upwards
- c) Shift the consumption function downwards
- d) Shift the savings function upwards

6 Among the following types of taxes, find the one which is indirect?

- a) Gift tax.
- b) Corporate income tax.
- c) VAT.
- d) Wealth tax.

7 GDP includes:

- a) Neither intermediate nor final goods
- b) Both intermediate and final goods
- c) Monetary value of all economic resources used in producing a year's output.
- d) Final, but not intermediate, goods.

8 In the simple Keynesian model investment is:

- a) Fixed
- b) A function of the level of income
- c) Either fixed or a function of the level of income.
- d) None of the above.

9 If depreciation exceeds gross investment:

- a) The economy's stock of capital may be either growing or shrinking
- b) The economy's stock of capital is shrinking.
- c) The economy's stock of capital is growing.
- d) Net investment is zero.

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10 Suppose the total market value of all final goods and services produced in a particular country in 2004 is Rs. 500 billion and the total market value of final goods and services sold is Rs. 450 billion. We can conclude that:

- a) GDP in 2004 is 450 billion
- b) NDP in 2004 is 450 billion
- c) GDP in 2004 is 500 billion
- d) Inventories in 2004 fell by 50 billion

11 In the simple Keynesian model consumption is a function of,

- a) Rate of interest.
- b) Level of income.
- c) Price level.
- d) None of the above.

12 Macroeconomics does NOT focus on:

- a) A policies that effect consumption and saving
- b) Policies that affect the performance of healthcare provider
- c) The determination of changes in wages and prices
- d) The determination of interest rates.

13 A nation's stock of capital goods will decline when:

- a) Gross investment exceeds net investment
- b) Net investment is positive, but less than gross investment
- c) Depreciation exceeds gross investment
- d) Gross investment exceeds depreciation.

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14 By summing the market value of all goods and services produced in the economy we would:

- a) be determining the market value of all resources used in the production process.
- b) obtain a sum substantially larger than the GDP.
- c) be determining value added for the economy.
- d) Be measuring GDP.

15 Government intervention into economic activity will NOT lead to a change in the price level:

- a) In the very short-run model
- b) In the medium-run model
- c) In the very long-run model
- d) A in the classical model

16 Personal income is most likely to exceed national income:

- a) Transfer payments exceeded the sum of Social security contributions, corporate income taxes, and indirect business taxes.
- b) the sum of Social security contributions, corporate income taxes, and undistributed corporate profits exceeded transfer payments.
- c) Consumption of fixed capital and indirect business taxes exceeded personal taxes.
- d) Transfer payments exceeded the sum of Social security contributions, corporate income taxes, & undistributed corporate profits

17 An increase in consumption at any given level of income will lead to

- a) Higher aggregate demand.
- b) An increase in exports
- c) A fall in taxation revenue.
- d) A decrease in import spending

18 In the simple Keynesian model, stability of equilibrium exists, if

a) APC is less than one  
b) APS is less than one  
c) MPC is less than one  
d) None of the above

19 Leakages - injection model is known as:

a) Incremental income model  
b) Incremental investment model  
c) Saving & expenditure model  
d) Saving & investment model

20 Which of the following will cause a leakage in the National income of an economy?

a) Decrease in Expenditure  
b) Decrease in Taxation  
c) Increase in imports  
d) Both a and c

21 Identify the items which is not a factor payment:

a) Free uniform to defense personnel.  
b) Salaries to the members of parliament.  
c) Imputed rent of an owner occupied building.  
d) Scholarships given to the scheduled caste students.

22 In a Keynesian model of income determination, when intended spending is greater than actual output, the adjustment to a new macro-economic equilibrium is based on changes in:

- a) Autonomous consumption  
b) Unplanned inventories  
c) Government spending  
d) Net exports

23 If the consumption function is  $C = 100 + 0.80 Y$ , and  $I = 300$ . Find out equilibrium level of Income (Y) & Savings?

a)  $Y = 3000, S = 500$   
b)  $Y = 4000, S = 600$   
c)  $Y = 2000, S = 300$   
d)  $Y = 2500, S = 200$

24 Which of the following is NOT a central issue in macroeconomics?

a) How should the central bank of a country fight inflation?  
b) What is responsible for high and persistent unemployment?  
c) How do tax changes influence consumers buying choices?  
d) What factors determine economic growth?

25 Which of the following is an intermediate good?

a) The purchase of gasoline for a ski trip to Colorado  
b) The purchase of a pizza by a college student.  
c) The purchase of baseball uniforms by a professional baseball team  
d) The purchase of jogging shoes by a professor

26 In explaining level of unemployment, Keynes emphasised

a) Changes in technology.  
b) Aggregate demand.  
c) Inflationary expectations.  
d) Lending by financial institutions.

27 What could be the cause of the increase in aggregate demand within an economy?

a) Increase in imports  
b) Decrease in Govt. Expenditure  
c) Rise in investment Expenditure  
d) Decrease in exports

28 Which of the economists below most likely advocated activist government policies?

a) Milton Friedman  
b) John Maynard Keynes  
c) Robert Lucas  
d) Adam Smith

29 When the economy is experiencing Deflationary Gap, which of the following will not occur?

a) Unplanned stockpiling of inventory  
b) Decrease in output & income  
c) Rise in Aggregate Demand  
d) Fall in Aggregate Demand

30 Which of the following is an economic activity?

a) Listening to music on the radio  
b) Teaching one own son at home  
c) Medical facilities rendered by a charitable dispensary  
d) A housewife doing household duties

31 In the very long-run AD-AS model, if the AD-curve shifts to the left, then:

a) Prices and output will both decrease  
b) Prices and output will both increase  
c) Prices will decrease but output will remain the same  
d) Output will decrease but prices will remain the same

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32 Personal income is most likely to exceed national income:

a) When gross and net investment are equal.  
b) During a period of recession or depression  
c) When gross investment exceeds net investment  
d) During a period of extended inflation.

33 In the very long-run AD-AS model:

a) Only fiscal policy can affect both output and prices  
b) Only monetary policy can affect both output and prices  
c) Monetary policy can affect output but not prices  
d) Active stabilization policy is ineffective in changing output

34 EVA Digital assistance Robot of HDFC Bank is

a) An international good  
b) A consumer good  
c) A capital good  
d) None of these

35 Setup Corporation buys 1,00,000 of sand, rock and cement to produce ready-mix concrete. It sells 10,000 cubic yards of concrete at \$30 a cubic yard. The value added by Setup Corporation is:

a) 3,00,000  
b) 1,00,000  
c) 2,00,000  
d) zero

36 A large underground economy results in an \_\_\_\_\_

a) Understated GDP  
b) Understated GDP price index  
c) Overstated GDP  
d) Overstated GDP price index

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37 If personal income exceeds national income in a particular year, we can conclude that:

a) A transfer payments exceeds the sum of social security contributions, corporate income taxes, and indirect business taxes.

b) The sum of social security contributions, corporate income taxes and undistributed corporate profits exceeded transfer payments.

c) Consumption of fixed capital and indirect business taxes exceeded personal taxes.

d) A transfer payments exceeds the sum of social security contributions, corporate income taxes, and undistributed corporate profits.

41 Gross investment refers to

a) A private investment minus public investment

b) Net investment plus replacement investment

c) Net investment after it has been "inflated" for changes in the price level

d) Net investment plus net exports

38 Average propensity to consume is measured by \_\_\_\_\_

a)  $C/Y$

b)  $C = Y$

c)  $Y/C$

d)  $C + Y$

42 GDP differs from NDP in that:

a) GDP is based on gross exports, while NDP is based on net exports

b) GDP includes, but NDP excludes, indirect business taxes

c) Net investment is used in calculating GDP and gross investment is used in calculating NDP

d) Gross investment is used in calculating GDP and net investment is used in calculating NDP

39 An economy is enlarging its stock of capital goods:

a) When Net investments exceeds Gross investment

b) When Gross investments exceeds replacement investment

c) When Gross investment is positive

d) When replacement investments Gross exceeds investment

43 Which of the following is NOT dealt with in microeconomics?

40 Which of the following is the final good or service?

a) Diesel fuel bought for a delivery truck

b) A fertilizer purchased by a farm supplier

c) A haircut

d) Chevrolet windows purchased by a general motors assembly plant

a) The effect of agricultural subsidies on the price of milk

b) Differences between the market for skilled labor versus the market for unskilled labor

c) Issues related to the structure and performance of the health care sector

d) Policies that affect the level of aggregate consumption

Answer Key - Chapter 6 - ICAI Extra MCQs

1	C	11	B	21	D	31	A	41	B
2	B	12	B	22	B	32	B	42	D
3	D	13	C	23	C	33	D	43	D
4	B	14	D	24	C	34	C		
5	A	15	A	25	C	35	C		
6	C	16	D	26	B	36	A		
7	D	17	A	27	C	37	D		
8	A	18	C	28	B	38	A		
9	B	19	D	29	C	39	B		
10	C	20	D	30	C	40	C		

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MTP & PYQ MCQs	
MTP Apr 24	
1	If a country's Gross Domestic Product (GDP) is greater than its Gross National Product (GNP), it implies that the country:
	<ul style="list-style-type: none"> <li>a) Is a net exporter.</li> <li>b) Is a net importer.</li> <li>c) Has a trade surplus</li> <li>d) Has a trade deficit</li> </ul>
MTP Apr 24	
2	In the very long-run AD-AS model, if the AD-curve shifts to the left, then:
	<ul style="list-style-type: none"> <li>a) prices and output will both decrease</li> <li>b) prices and output will both increase.</li> <li>c) prices will decrease but output will remain the same</li> <li>d) output will decrease but prices will remain the same</li> </ul>
MTP Apr 24	
3	Countries with higher saving rates may have higher equilibrium growth rates since:
	<ul style="list-style-type: none"> <li>a) People who save more also are more industrious</li> <li>b) Higher income allows for more savings</li> <li>c) A higher saving rate allows for more investment in human capital which ultimately enhances economic growth</li> <li>d) Having more capital equipment is more important than having better capital equipment</li> </ul>

MTP Apr 24	
4	Assume you built a new house, bought a used car, and bought some government bonds. Which of the following is true?
	<ul style="list-style-type: none"> <li>a) consumption and government purchases went up since you bought a used car and government bonds</li> <li>b) consumption and investment went up since you bought a used car and government bonds</li> <li>c) investment and government purchases went up since you built a new house and bought government bonds</li> <li>d) investment went up since you built a new house</li> </ul>
MTP Apr 24	
5	Inflation occurs whenever:
	<ul style="list-style-type: none"> <li>a) aggregate demand rises.</li> <li>b) the price of any given commodity rises.</li> <li>c) the average price of most goods and services rises.</li> <li>d) the tax rate is lower than the government spending rate.</li> </ul>
MTP Apr 24	
6	The expenditure multiplier is used to calculate the change in:
	<ul style="list-style-type: none"> <li>a) pending caused by a change in income</li> <li>b) equilibrium income caused by a change in autonomous spending</li> <li>c) intended spending caused by a change in consumption</li> <li>d) disposable income caused by a change in saving</li> </ul>

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MTP Apr 24	
7	What is the formula for calculating Gross Domestic Product (GDP) using the expenditure approach?
	<ul style="list-style-type: none"> <li>a) <math>GDP = Consumption + Investment + Government Spending</math></li> <li>b) <math>GDP = Consumption + Investment + Government Spending + Net Exports</math></li> <li>c) <math>GDP = Consumption + Investment</math></li> <li>d) <math>GDP = Consumption + Net Exports.</math></li> </ul>
MTP Apr 24	
8	Which component of National Income represents the income earned by individuals before taxes and other deductions?
	<ul style="list-style-type: none"> <li>a) Personal Income</li> <li>b) Disposable Income</li> <li>c) Gross National Product (GNP)</li> <li>d) Gross Domestic Product (GDP)</li> </ul>
MTP Apr 24	
9	The concept of the "multiplier effect" in Keynesian economics refers to:
	<ul style="list-style-type: none"> <li>a) the impact of interest rates on investment</li> <li>b) The magnification of an initial change in spending through the economy</li> <li>c) The impact of taxes on consumer spending</li> <li>d) The role of exports in economic growth</li> </ul>
MTP Apr 24	
10	Which of the following is a factor income?
	<ul style="list-style-type: none"> <li>a) Profits</li> <li>b) Transfer payments</li> <li>c) Subsidies</li> <li>d) Indirect taxes</li> </ul>

MTP Apr 24	
11	The industrial sector depends on the agricultural sector because:
	<ul style="list-style-type: none"> <li>a) the agricultural sector provides food and other products for the consumption purposes of industrial sector</li> <li>b) the agricultural sector provides raw materials for the development of agro-based industries of the economy</li> <li>c) the agricultural sector provides market for the industrial products</li> <li>d) all of the above</li> </ul>
MTP Apr 24	
12	The concept of "animal spirits" in Keynesian theory refers to:
	<ul style="list-style-type: none"> <li>a) The unpredictable behavior of financial markets</li> <li>b) Psychological factors influencing economic decisions</li> <li>c) Government regulations affecting business confidence</li> <li>d) The impact of interest rates on investment</li> </ul>
MTP May 24	
13	Which of the following is NOT an example of a transfer payment in sense of national income accounts?
	<ul style="list-style-type: none"> <li>a) Government family allowances</li> <li>b) Public unemployment insurance benefits</li> <li>c) Dividends paid by corporations to stakeholders</li> <li>d) Disability pensions paid from the social insurance system</li> </ul>
MTP May 24	
14	The difference between real and nominal GDP is...
	<ul style="list-style-type: none"> <li>a) Nominal GDP only accounts for citizens.</li> <li>b) Nominal GDP uses price-levels of some base year.</li> <li>c) Nominal GDP uses actual price-levels.</li> <li>d) Real GDP also includes services, whereas nominal GDP only takes goods into account.</li> </ul>

MTP May 24

15 For a person to keep his real income steady at a certain level from one year to the next, his nominal income must:

a) Stay the same as the price index rises  
b) Rise as fast as the price index  
c) Fall if the price index rises  
d) Rise if the price index falls

MTP May 24

16 If the GDP gap is positive, then:

a) The inflation rate is falling  
b) Actual GDP is greater than potential GDP  
c) Potential GDP is greater than actual GDP  
d) The unemployment rate is rising

MTP May 24

17 A nation's gross domestic product (GDP):

a) can be found by summing  $C + I + G + X_n$ .  
b) is the dollar value of the total output produced by its citizens, regardless of where they are living.  
c) can be found by summing  $C + S + G + X_n$ .  
d) is always some amount less than its NDP.

MTP May 24

18 Gross investment refers to:

a) private investment minus public investment.  
b) net investment plus replacement investment.  
c) net investment after it has been "inflated" for changes in the price level.  
d) net investment plus net exports.

MTP May 24

19 The amount of after-tax income received by households is measured by:

a) discretionary income.  
b) national income.  
c) disposable income.  
d) personal income.

MTP May 24

20 Which one is a component of profit?

a) Dividend  
b) Undistributed Profit  
c) Corporate Profit Tax  
d) All of these

MTP May 24

21 The particular level of AD which is equal to AS is called \_\_\_\_\_.

a) equilibrium demand  
b) effective demand  
c) derived demand  
d) None of the above

MTP May 24

22 Gross value method is employed in India:

a) To avoid double counting.  
b) To avoid the impact of inflation.  
c) To capture the consumption levels.  
d) To calculate the exports.

MTP May 24

23 Break even points occurs when:

a)  $Y = S$   
b)  $S = 0$   
c)  $Y = C$   
d) both (b) and (c)

MTP May 24

24 Deficient demand leads to:

a) inflationary gap  
b) deflationary gap  
c) both (a) and (b)  
d) None of these

MTP Jun 24

25 GDP includes:

a) neither intermediate nor final goods.  
b) both intermediate and final goods.  
c) intermediate, but not final, goods.  
d) final, but not intermediate, goods.

MTP Jun 24

26 Which of the following is a final good or service?

a) diesel fuel bought for a delivery truck  
b) fertilizer purchased by a farm supplier  
c) a haircut  
d) Chevrolet windows purchased by a General Motors assembly plant

MTP Jun 24

27 Transfer payments are:

a) excluded when calculating GDP because they only reflect inflation.  
b) excluded when calculating GDP because they do not reflect current production.  
c) included when calculating GDP because they are a category of investment spending.  
d) included when calculating GDP because they increase the spending of recipients.

MTP Jun 24

28 Value added refers to:

a) any increase in GDP that has been adjusted for adverse environmental effects.  
b) the excess of gross investment over net investment.  
c) the difference between the value of a firm's output and the value of the inputs it has purchased from others.  
d) the portion of any increase in GDP that is caused by inflation as opposed to an increase in real output.

MTP Jun 24

29 Personal income is most likely to exceed national income:

a) when gross and net investment are equal.  
b) during a period of recession or depression.  
c) when gross investment exceeds net investment.  
d) during a period of extended inflation.

MTP Jun 24

30 Which one is included in three-sector model?

a) Family  
b) Firm  
c) Government  
d) All of these

MTP Jun 24

31 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.

MTP Jun 24

32 What can be the minimum value of investment multiplier?

a) 10  
b) 1  
c) infinity  
d) 0

MTP Jun 24	
33	Which one is included in National Income? a) Transfer Earnings b) Sale proceeds of Shares and Bonds c) Black Money d) None of the Above
MTP Jun 24	
34	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
MTP Jun 24	
35	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) Both a) and c) above
MTP Jul 24	
36	If a farmer sells wheat to miller for Rs. 600 and miller sells flour to baker for Rs. 800. The baker sells bread to consumer for Rs. 1300, then the total value added in the process is: a) Rs. 600 b) Rs. 800 c) Rs. 700 d) Rs. 1200
MTP Jul 24	
37	Which investment is made without any reference to level of income or profits? a) Induced b) Autonomous c) Inventory d) Gross
MTP Jul 24	
38	The Value of National Income adjusted for inflation is called? a) Disposable income b) Per capita income c) Inflation adjusted income. d) Real national Income
MTP Jul 24	
39	Which of the following fiscal policy measures would be suitable for addressing a deflationary gap or deficient demand? a) Reduction in Taxes b) Increase in Govt. Expenditure c) Reduction in Public Debt d) All of these
MTP Jul 24	
40	What is the value of Investment Multiplier when saving function is represented as $S = -60 + 0.2Y$ ? a) 2 b) 5 c) 4 d) 0.2
MTP Jul 24	
41	"What could be the cause of the increase in Aggregate Demand within an economy?" a) How government works b) How markets work c) How consumers behave d) None of these

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MTP Jul 24													
42	Which of the following will cause a leakage in the National Income of an economy? a) Decrease in Expenditure b) Decrease in Taxation c) Increase in Imports d) Both a & c												
MTP Jul 24													
43	The per capita income in country Y increased from Rs. 50,000 to Rs. 65,000 while the per capita consumption increased from Rs. 37,500 to Rs. 48,750. Calculate the spending multiplier for this economy. a) 5 b) 4 c) 2.5 d) 8												
MTP Jul 24													
44	In an economy $C = 300 + 0.5Y$ and $I = Rs. 600$ (where C is consumption, Y is income or investment). The Equilibrium level of income will be: a) 1800 b) 1500 c) 1400 d) None of these												
MTP Jul 24													
45	When Investment in an economy increases from Rs. 10,000 crores to Rs. 14,000 crores and as a result of this national income rises Rs. 80,000 to Rs. 92,000 crores, Investment-Multiplier will be: a) 5 b) 3 c) 2 d) None of these												
MTP Aug 24													
46	Which one makes GDP an improper index of welfare? a) Non-monetary transaction b) Externalities c) Composition & distribution of GDP d) All of these												
MTP Jul 24													
47	Calculate National Income from the following data: <table border="1" style="margin-left: 20px;"> <thead> <tr> <th></th> <th>Rs. in Crores</th> </tr> </thead> <tbody> <tr> <td>Consumption</td> <td>1000</td> </tr> <tr> <td>Investment</td> <td>500</td> </tr> <tr> <td>Government Purchases</td> <td>200</td> </tr> <tr> <td>Exports</td> <td>200</td> </tr> <tr> <td>Imports</td> <td>400</td> </tr> </tbody> </table> a) 1500 b) 1800 c) 600 d) None of these		Rs. in Crores	Consumption	1000	Investment	500	Government Purchases	200	Exports	200	Imports	400
	Rs. in Crores												
Consumption	1000												
Investment	500												
Government Purchases	200												
Exports	200												
Imports	400												
MTP Jul 24													
48	Interest on national debt is treated as: a) Transfer payment b) Domestic payment c) Govt. payment d) None of these												
MTP Aug 24													
49	The nominal and real GDP respectively of a country in a particular year are Rs. 3000 cr. and Rs. 4500 cr respectively. The GDP deflator will be: a) 55.55 b) 66.66 c) 44.45 d) None of these.												

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MTP Aug 24  
50 An increase in investment by 600 cr leads to increase in national income by 1800 cr. "k" will be -  
a) 3  
b) 4  
c) 5  
d) None of these

MTP Aug 24  
51 Consumption expenditure according to Keynes is determined by:  
a) Disposable income  
b) Level of interest rate  
c) Extent of government taxes and subsidies  
d) None of these

MTP Aug 24  
52 Who are the normal residents of the country?  
a) A resident who has own house in that country  
b) A resident with a bank account in that country  
c) Ordinary residents with economic interest lying in that country  
d) None of these

MTP Aug 24  
53 Government of India recently launched 'Make in India' programme. What will be its impact on Aggregate Demand of India?  
a) Likely to increase  
b) Likely to fall  
c) No impact  
d) None of these

MTP Aug 24  
54 Suppose in a country investment increases by Rs. 100 crores and consumption is given by  $C = 10 + 0.6Y$ . How much increase will there take place in income?  
a) 250  
b) 200  
c) 150  
d) None of these

RTP Sep 24  
55 Assume you deplete your savings to buy a new sofa and some government bonds and then take a vacation in a foreign country. Which of the following is true?  
a) Consumption will increase  
b) Net exports will increase  
c) Government purchases will increase  
d) Investment will increase

RTP Sep 24  
56 The difference between gross domestic investment and net domestic investment is equal to:  
a) Unwanted inventory changes  
b) The difference between NDP and national income  
c) The difference between GDP and NDP  
d) None of the above

MTP Jul 24  
57 Which organization is accountable for calculating the Gross Domestic Product of India?  
a) Indian Statistical Institute  
b) Reserve Bank of India  
c) Central Statistical Office  
d) Ministry of Commerce and Industry

PYQ Sep 2024  
58 If the GDP deflator of a country in the year 2020 is 140.75 and in the year 2021 is 137.33, then what is the inflation rate in the year 2021?  
a) 9.09%  
b) 10.97%  
c) 11.78%  
d) 12.34%

PYQ Sep 2024  
59 In GDP at market price is Rs. 6,700 crore and depreciation is Rs. 530 crore, then what will be the NDP at market price?  
a) Rs. 6,200 crore  
b) Rs. 6,170 crore  
c) Rs. 7,230 crore  
d) Rs. 6,690 crore

PYQ Sep 2024  
60 Suppose the consumption of an economy is given by  $C = 30 + 0.05Y$  and investment  $I = 12 + 0.15Y$ . What will be the equilibrium level of National Income?  
a) 120  
b) 115  
c) 105  
d) 112

PYQ Sep 2024  
61 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

PYQ Sep 2024  
62 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

PYQ Sep 2024  
63 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

PYQ Sep 2024  
64 Which of the following is no 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

PYQ Sep 2024  
65 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

PYQ Sep 2024  
66 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

PYQ Sep 2024

67 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

PYQ Sep 2024

68 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

PYQ Sep 2024

69 The state-level estimates are typically prepared by 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
- c) Ministry of Finance
- d) Reserve Bank of India

PYQ Sep 2024

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

- a) Rs. 2,500 crores
- b) Rs. 200 crores
- c) Rs. 2,050 crores
- d) Rs. 2,100 crores

PYQ Sep 2024

71 What will be the GDP at market price (GDPMP) on the basis of following information?

Particular	Amount Rs. crores
GNPMP	1100
NET FACTOR INCOME FROM ABROAD	200
DEPRECIATION	50
NET INDIRECT TAX	100

- a) Rs. 1,000 crores
- b) Rs. 1,050 crores
- c) Rs. 900 crores
- d) 1,300 crores

PYQ Sep 2024

72 Which of the following is not a correct formula to calculate NNPMP?

- a)  $NNPMP = GNPMP - Depreciation$
- b)  $NNPMPNDPMP + Net Factor Income from Abroad$
- c)  $NNPMP = GDPMP + Net Factor Income from Abroad - Depreciation$
- d)  $NNPMP - NDPMP - Depreciation$

PYQ June 2024

73 When NFIA is positive, then

- a)  $GNPmp < GDPmp$
- b)  $GNPmp > GDPmp$
- c)  $GDPmp < GNPmp$
- d) None

PYQ June 2024

74 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

PYQ June 2024

75 Gross Value added at market price (GVAMP) =

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

PYQ June 2024

76 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

(77-78) 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

PYQ June 2024

77 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

PYQ June 2024

78 The inflation rate between the years 2022 and 2023 is

- a) -7.84
- b) -8.51
- c) 8.51
- d) 7.84

PYQ June 2024

79 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

PYQ June 2024

80 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

PYQ June 2024

81 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 is year not given
- d) No effect on prices

PYQ June 2024  
82 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

PYQ June 2024  
83 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

PYQ June 2024  
84  $C = 200 + 0.8Y_d$ ;  $G = T = 150$ ;  $I = 200$ ;  $TR = 75$ . Find equilibrium income.  
a) 625  
b) 2450  
c) 2250  
d) 800

PYQ June 2024  
85 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

PYQ June 2024  
86 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

PYQ June 2024  
87 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

PYQ June 2024  
88 Increase in investment by Rs500 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

Answer Key - Chapter 6 - MTP MCQs

1	D	16	B	31	C	46	D	61	A	76	C
2	C	17	A	32	B	47	A	62	B	77	A
3	C	18	B	33	D	48	A	63	B	78	C
4	D	19	C	34	C	49	B	64	D	79	B
5	C	20	D	35	B	50	A	65	B	80	A
6	B	21	B	36	C	51	A	66	C	81	A
7	B	22	A	37	B	52	C	67	C	82	B
8	A	23	D	38	D	53	A	68	C	83	A
9	B	24	B	39	D	54	A	69	A	84	B
10	A	25	D	40	B	55	A	70	B	85	B
11	D	26	C	41	C	56	C	71	C	86	B
12	B	27	B	42	D	57	C	72	D	87	B
13	C	28	C	43	B	58	C	73	A	88	D
14	C	29	B	44	A	59	B	74	A		
15	B	30	D	45	B	60	A	75	D		

CA Foundation – New Syllabus  
Business Economics

**Chapter 6**  
**Determination of National Income**

**ICAI MCQs**

MCQ Compiler by MVSIR

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**UNIT 1**

**ICAI MCQs**

	ICAI SM
1	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

	ICAI SM
2	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

	ICAI SM
3	Gross Domestic Product (GDP) of any nation a) excludes capital consumption and intermediate consumption b) Is inclusive of capital consumption or depreciation c) is inclusive of indirect taxes but excludes subsidies d) None of the above

	ICAI SM
4	Read the following statements I. 'Value added' refers to the difference between value of output and purchase of intermediate goods. II. 'Value added' represents the contribution of labour and capital to the production process. a) Statements I and II are incorrect b) Statements I and II are correct c) Statement I is correct and II is incorrect d) Statement II is correct and I is incorrect

	ICAI SM
5	Non-economic activities are a) those activities whose value is excluded from national income calculation as it will involve double counting b) those which produce goods and services, but since these are not exchanged in a market transaction they do not command any market value c) those which do not involve production of goods and services as they are meant to provide hobbies and leisure time activities d) those which result in production for self consumption and therefore not included in national income calculation

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6.59

ICAI SM	
6	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 the above

ICAI SM	
10	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)

ICAI SM	
7	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

ICAI SM	
11	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

ICAI SM	
8	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) $GDP MP + \text{Net Indirect Taxes}$

ICAI SM	
12	The GDP per capita is a) a measure of a country's economic output per person b) actual current income receipts of persons c) national income divided by population d) (a) and (c) above

ICAI SM	
9	Choose the correct statement a) GNP includes earnings of Indian corporations overseas and Indian residents working overseas; but GDP does not include these b) $NNPFC = \text{National Income} = \text{FID}$ (factor income earned in domestic territory) - NFIA. c) Capital goods and inventory investment are excluded from computation of GDP d) $NDPMP = GDPMP + \text{Depreciation}$

ICAI SM	
13	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 the above

ICAI SM	
14	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

ICAI SM	
3	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

ICAI SM	
15	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

ICAI SM	
4	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.

UNIT 2	
ICAI SM	
1	In the Keynesian model, equilibrium aggregate output is determined by a) aggregate demand b) consumption function c) the national demand for labor d) the price level

ICAI SM	
5	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

ICAI SM	
2	Keynes believed that an economy may attain equilibrium level of output a) only at the full-employment level of output b) below the full-employment level of output c) only if prices were inflexible d) a) and c) above

ICAI SM	
6	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

ICAI SM	
7	If the consumption function is $C = 20 + 0.5Y_d$ , 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	

ICAI SM	
8	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	

ICAI SM	
9	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	

ICAI SM	
10	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	

ICAI SM	
11	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.	

**Answer Key – Chapter 6 – ICAI MCQs (Unit – 1)**

1	B	6	D	11	A
2	B	7	D	12	D
3	B	8	A	13	D
4	B	9	A	14	C
5	B	10	B	15	A

**Answer Key – Chapter 6 – ICAI MCQs (Unit – 2)**

1	A	4	A	7	C	10	C
2	B	5	B	8	C	11	B
3	C	6	A	9	C		