

**QUESTION BANK 2020-21**  
**SUBJECT: ECONOMICS (030)**  
**TOPIC: NATIONAL INCOME AND AGGREGATES**

**I OBJECTIVE TYPE QUESTION**

1. State, whether the following statement is true or false:  
A good can be intermediate good in one case and a final good in another case.
2. State whether the following statement is true or false:  
Inventory is a stock variable
3. State whether the following statement true or false :  
'Purchase of machinery by a producer is an intermediate goods'
4. State whether the following true or false:  
Nominal GDP can never be less than Real GDP
5. State whether the following true or false:  
Wages earned by a citizen of India working in Singapore will be included in GDP of India.
6. Combined factor income, which can't be separated into various factor income components is known as-----.
7. Net domestic fixed capital formation + change in stock = -----
8. When nominal Gross domestic product is 840 and price index is 120, then the Real gross domestic product will be-----
9. The ratio of nominal to real GDP is well known index of price ,called-----  
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10. National income –domestic income = -----

11. Which of the following affect national income.
- a) Goods and Service tax
  - b) corporation tax
  - b) Subsidies
  - d) none of these

12 which of the following is a flow concept.

- a) Foreign exchange reserve
- b) Inventory
- C) capital
- d) Exports

13. National income is the sum of factor income accruing to :

- a) Nationals
- b) economic territory
- c) Residents
- d) Both residents and non – residents

14. Which of the following statement is incorrect.

- a)  $GDP\ at\ MP = GDP\ at\ FC + NIT$
- b)  $NNP\ at\ MP = NNPat\ FC$
- c)  $GNP\ at\ MP = GDP\ at\ MP + NFIA$
- d)  $NNP\ at\ FC = national\ income$

15. which of the following is not a factor payment

- a) Free uniform to defense personnel
- b) salaries to Member of Parliament
- c) Rent paid to owner of a building
- d) Scholarship given to the students

16. When will the domestic income exceed national income?

17. Give the meaning of operating surplus.

18. Define Real flow?

19 Why do export form a part of National Income?

20. what is meant by double counting?

### **SHORT ANSWER QUESTIONS**

1. Explain circular flow of income in atwo sector economy?
2. 'subsidies to the producers, should be treated as transfer payments'. Defend or refute the given statement with valid reason.
3. Given nominal income , how can we find real income? Explain
4. Distinguish between intermediate goods and final goods?
5. Define externalities. Give an example of negative externality. What is its impact on welfare?
6. Distinguish between real flow and money flow?
7. Which of the following are final goods and which are intermediate goods? Give reasons.
  - i) Milk purchased by atea stall
  - ii) Bus purchased by a school
  - iii) Juice purchased by a student from the school canteen
8. Distinguish between stock and flow?
9. Distinguish between factor income and transfer income?
10. Define Net National Product at FC.

11. Are the following included in the estimation of national income.

- i) Government expenditure on street lighting
- ii) Interest received by households from the commercial banks.
- iii) Production wheat for self consumption by a farmer
- iv) House hold paid interest to banks

12. Which of the following is factor income from abroad for Indian residents and why?

- i) Profits of foreign bank with a branch at Kochi
- ii) Rent received by Indian on the building rented to foreign embassy in India
- iii) Salary paid to the Indian High commission in London by the Government of India

13. Calculate Gross Value Added at Market Price:

S.No.	Particulars	Rs. In lakhs
1	Depreciation	20
2	Domestic sales	200
3	Change in Stocks	(-) 10
4	Exports	10
5	Single use producer goods	120

14. Calculate Net value Added at factor cost from the following data.

S, No	Particulars	Rs. In lakhs
1	Durable producer goods(with life span 10 years)	10
2	Single use producer goods	5
3	Unsold goods (stock)	2
4	Sales	20
5	Goods and Services Tax(GST)	1

15. Use the following information of an imaginary economy.

year	2018	2019	2020
Nominal GDP	6.5	8.4	9
GDP deflator	100	140	125

Calculate real GDP for this given year.

### Long Answer Questions

1. Explain the problem of double counting in estimation of national income. With the help of example. Also explain two alternative ways of avoiding the problem.
2. Describe the steps involved in the estimation of national income by income method . Mention any two precautions that must be taken while estimating national income by this method.
3. Why are exports included in the estimation of domestic product by the expenditure method? Can gross domestic product be greater than gross national product? Explain.
4. Distinguish between real gross domestic product and nominal gross domestic product. Can gross domestic product be used as an index of welfare of the people? Give two reasons.
5. Define domestic factor income. Explain in brief its three components.
6. How will you treat the following while estimating national income of india? Give reasons to your answer.
  - I) Salaries received by indian residents working in Russian embassy in india.
  - II) Profits earned by an indian bank from its branches abroad.
  - III) Entertainment tax received by the government
7. Giving reason state how the following are treated in estimation of national income:
  - i) payment of interest by banks to its depositors
  - ii) expenditure on oldage pensions by government
  - iii) expenditure on engine oil by car service station

8. **calculate** (i) Net National Product at market price and (ii) Gross domestic product at factor cost:

<b>Sl.no</b>	<b>particulars</b>	<b>Rs. in crores</b>
i	<b>Rent and interest</b>	<b>6000</b>
ii	<b>Wages and salaries</b>	<b>1800</b>
iii	Undistributed profit	<b>400</b>
iv	Net indirect taxes	<b>100</b>
v	subsidies	<b>20</b>
vi	Corporation tax	<b>120</b>
vii	Net factor income to abroad	<b>70</b>
viii	Dividends	<b>80</b>
ix	Consumption of fixed capital	<b>50</b>
x	Social security contribution by employers	<b>200</b>
xi	Mixed income	<b>1000</b>

9. Given the following data, find the value of operating surplus and net exports.

<b>Sl.no</b>	<b>particulars</b>	<b>Rs. in rores</b>
i	wages and salaries	<b>2400</b>
ii	National income	<b>4200</b>
iii	Net exports	<b>?</b>
iv	Net factor income from abroad	<b>200</b>
v	Gross domestic capital formation	<b>1100</b>
vi	Mixed income	<b>400</b>
vii	Private final consumption expenditure	<b>2000</b>
viii	Net indirect taxes	<b>150</b>
ix	Operating surplus	<b>?</b>
x	Government final consumption expenditure	<b>1000</b>
xi	Consumption of fixed capital	<b>100</b>
xii	profits	<b>500</b>

10. I) Define externality.

ii) find the National income from the following using expenditure method.

Sl.no	particulars	Rs. In crores
i	Current transfers from rest of world	50
ii	Net indirect taxes	100
iii	Rent	90
iv	Net exports	-25
v	Private final consumption expenditure	900
vi	Net domestic capital formation	200
vii	Compensation of employees	500
viii	Net factor income from abroad	-10
ix	Government final consumption expenditure	400
x	profit	220
xi	Mixed income of self employed	400
xii	interest	230

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