

TEST

National Income

QUESTIONS

SECTIONS

1. National Income - 30 Questions

Section 1 : National Income - 30 Questions

- 1** Comparisons of GDP levels across countries are most accurate when
- a) the value of non-market activities is the same across countries
 - B) prices are the same across countries
 - C) prices and the value of non-market activities are the same across countries
 - D) prices for non-market activities are the same across countries
- Correct: +1
- 2** The value of output produced by residents located within the country, before depreciation and including the influence of taxes and subsidies, is known as
- a) GNP at market prices
 - B) GNP at factor cost
 - C) GDP at factor cost
 - D) GDP at market prices
- Correct: +1
- 3** Which one of the following are excluded when measuring national income?
- a) Consumer spending in the expenditure method'
 - B) Value added in the output method
 - C) Transfer payments in the income method
 - D) None of the above
- Correct: +1
- 4** Investment is the purchase of capital equipment, inventories, and
- a) structures
 - B) non-durable goods
 - C) depreciation
 - D) import investment

Correct: +1

5

Which of the following would not be counted as a final good for inclusion in GDP?

- a) A piece of glass bought by a consumer to fix a broken window
- B) A sheet of glass purchased by a commercial builder of a new home
- C) A sheet of glass produced this year and ending up in the inventory of a retail store
- D) A home that is built this year but is not sold

Correct: +1

6

Per capital real output product is best defined as

- a) the market value of all final goods and services produced in an economy in current prices.
- B) the market value of all final goods and services produced in an economy in current prices divided by the population
- C) the market value of all final goods and services produced in an economy in the prices of a given year
- D) the market value of all final goods and services produced in an economy in the prices of a given year divided by the population

Correct: +1

7

Real GDP is obtained by

- a) Nominal GDP / CPI
- B) Nominal GDP / GDP deflator
- C) Nominal GDP – GDP deflator
- D) Nominal GDP * Price level

Correct: +1

8

Other things held constant, private disposable income would increase if

- a) government transfer payments increase
- B) consumption increase
- C) government purchases increase
- D) taxes increase

Correct: +1

9

Which among the following will be treated as 'normal resident' of a country?

- a) Citizens of other countries who visit our country for recreation
- B) The diplomats of Russia posted of India
- C) Crew of foreign ships and aircrafts
- D) Citizens of our country working in foreign embassies located in India

Correct: +1

- 10 Which of the following is an example of a final good or service?
- a) Unemployment compensation
 - B) A CD player purchased as a gift
 - C) Steel used in the production of appliances
 - D) Vegetables purchased by local restaurants to make soup
- Correct: +1
- 11 If a used car dealer buys a car for Rs 60,000 and resells it for Rs 60,500, how much has been added to GDP?
- a) Nothing
 - B) Rs 500
 - C) Rs 60,000
 - D) Rs 60,500
- Correct: +1
- 12 Which of the following is a widely used measure of the standard of living?
- a) Real output (income) per unit of capital
 - B) Real output (income) per employed person
 - C) Real output (income) per head of population
 - D) Nominal output (income) per head of population
- Correct: +1
- 13 The sale of illegal drugs
- a . is included in GDP under services
 - b . is included in GDP under investment
 - c) is included in GDP as a component of home production (non-market activity)
 - d. is not included in GDP
- Correct: +1
- 14 The GDP deflator is
- a) the difference between the current year GDP growth and previous year GDP growth
 - b) average rate of inflation over a 10 year period
 - c) a number that shows the relationship between real GDP and money GDP
 - d) a number that shows relationship between interest rates and inflation
- Correct: +1
- 15 To move from GDP to GNP, we must add to GDP the
- a) depreciation of plant and equipment

- b) taxes minus subsidies
- c) net income from abroad
- d) subsidies minus taxes

Correct: +1

16 Net Factor Income from Abroad (NFIA) comprise of

- a) net compensation of employees
- b) net income from property and entrepreneurship
- c) net retained earnings of resident companies abroad
- d) All of the above

Correct: +1

17 The value of national output produced by resident of a country, whether located at home or overseas, after depreciation and excluding the influence of taxes and subsidies, is known as

- a) GDP at factor cost
- b) GNP at market price
- c) GNP at factor cost
- d) NNP at factor cost

Correct: +1

18 Gross Domestic Product (GDP) is

- a) personal consumption expenditures and gross private domestic investment
- b) the sum of wage and salary compensation of employees, corporate profits and interest income
- c) the market value of final goods and services produced within a country in one year
- d) the market value of all final and intermediate goods and services produced by the economy in one year

Correct: +1

19 Which of the following is included in the computation of national income according to the income method?

- a) Expense on staying at a luxury hotel on a holiday
- b) Purchase of securities of a listed company
- c) Income earned from smuggling of goods
- d) Wages and salaries paid to employees

Correct: +1

20 Operating surplus includes

- a) rent

- b) interest
- c) profit
- d) All of these

Correct: +1

21 NNP is equal to

- a) GNP + Net exports
- b) GNP – Net exports
- c) GNP + Depreciation
- d) GNP – Depreciation

Correct: +1

22 Which of the following is not to be included in national product?

- a) Wheat produced by the farmer and consumed by him
- b) House built by the owner himself
- c) Income from the sale of old car
- d) Machine made by firm A and sold to B

Correct: +1

23 1. NNP according to income method includes :

- i. wages and salaries
- ii. royalty
- iii. net indirect taxes
- iv. depreciation

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

Correct: +1

24 GNP includes

- i. consumer goods and services
- ii. gross private domestic investment
- iii. goods and services produced by government
- iv. net exports

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

Correct: +1

25

Depreciation means

- a) destruction of a plant in a fire accident
- b) loss of equipment and machines over time due to normal wear and tear
- c) closure of the firm due to lockout
- d) unanticipated loss
- Option 5

Correct: +1

26

GNP at market prices – depreciation – indirect taxes + subsidies is equal to

- a) NNP at market price
- b) GNP at factor cost
- c) National income
- d) NDP at factor cost

Correct: +1

27

Which among the following is the best indicator of economic welfare?

- a) Nominal GDP
- b) Real GDP
- c) GDP deflator
- d) None of these

Correct: +1

28

The net value of final goods and services evaluated at current prices is known as

- a) GNP at market price
- b) GNP at factor price
- c) NNP at market price
- d) NNP at factor cost

Correct: +1

29

Which of the following is not correct?

- a) In measuring GNP all kinds of goods and services produced in a country during a year are measured in terms of money
- b) In estimating GNP, only the final products are taken into account
- c) The sale and purchase of shares of existing companies are included in GNP
- d) The income earned through illegal activities is not included in the GNP

Correct: +1

30

Which of the following is not included in disposable income?

-
-
-
-

- a) **International transfer payments**
- b) **Unemployment allowances**
- c) **Direct taxes**
- d) **Corporate dividends**

Correct: +1

National Income**ANSWERS**

SECTIONS

1. National Income - 30 Questions

Section 1 : National Income - 30 Questions

-
- 1 a) the value of non-market activities is the same across countries
 - 2 a) GNP at market prices
 - 3 a) Consumer spending in the expenditure method'
 - 4 a) structures
 - 5 a) A piece of glass bought by a consumer to fix a broken window
 - 6 a) the market value of all final goods and services produced in an economy in current prices.
 - 7 a) Nominal GDP / CPI
 - 8 a) government transfer payments increase
 - 9 a) Citizens of other countries who visit our country for recreation
 - 10 a) Unemployment compensation
 - 11 a) Nothing
 - 12 a) Real output (income) per unit of capital
 - 13 a . is included in GDP under services
 - 14 a) the difference between the current year GDP growth and previous year GDP growth
 - 15 a) depreciation of plant and equipment
 - 16 a) net compensation of employees
 - 17 a) GDP at factor cost
 - 18 a) personal consumption expenditures and gross private domestic investment
 - 19 a) Expense on staying at a luxury hotel on a holiday
 - 20 a) rent
 - 21 a) GNP + Net exports
 - 22 a) Wheat produced by the farmer and consumed by him
 - 23 a) 1 , 2 and 3
 - 24 a) 1 , 2 and 3
 - 25 a) destruction of a plant in a fire accident
 - 26 a) NNP at market price
 - 27 a) Nominal GDP

- 28 a) GNP at market price
- 29 a) In measuring GNP all kinds of goods and services produced in a country during a year are measured in terms of money
- 30 a) International transfer payments

TEST

National Income

SOLUTIONS

SECTIONS

1. National Income - 30 Questions

Section 1 : National Income - 30 Questions

1 C

2 D

3 C

4 A

5 B

6 C

7 B

8 A

9 D

10 B

11 B

12 C

13 d

14 c

15 c

16 d

17 d

18 c

19 d

20 d

21 d

22 c

23 a

24 d

25 b

26 c

27 b

28 c

29 c

30 c