

National Income Accounting

Choose the correct alternative.

Question 1.

Depreciation of fixed capital assets refers to

- (a) Normal wear and tear
- (b) Foreseen obsolescence
- (c) Normal wear and tear and foreseen obsolescence
- (d) Unforeseen obsolescence

▼ Answer

Answer: (c) Normal wear and tear and foreseen obsolescence

Question 2.

National income is the sum of factor income accruing to

- (a) Nationals
- (b) Economic territory
- (c) Residents
- (d) Both residents and non-residents

▼ Answer

Answer: (c) Residents

Question 3.

GNP at MP =

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

▼ Answer

Answer: (d) $GDP_{MP} + \text{Net factor income from abroad}$

Question 4.

$NDP_{MP} =$

- (a) $GDP_{MP} - \text{Depreciation}$
- (b) $GDP_{FC} + \text{Net factor income from abroad}$
- (c) $NNP_{FC} + \text{Net indirect taxes}$
- (d) All of these

▼ Answer

Answer: (a) $GDP_{MP} - \text{Depreciation}$

Question 5.

$NNP_{MP} =$

- (a) $GNP_{MP} - \text{Depreciation}$
- (b) $NDP_{MP} + \text{Net factor income from abroad}$
- (c) $NNP_{FC} + \text{Net indirect taxes}$
- (d) All of these

▼ [Answer](#)

Answer: (d) All of these

Question 6.

$GDP_{FC} =$

- (a) $GDP_{MP} - \text{Net indirect taxes}$
- (b) $GDP_{MP} + \text{Net indirect taxes}$
- (c) $GDP_{MP} + \text{Subsidies}$
- (d) $GDP_{MP} - \text{Indirect taxes}$

▼ [Answer](#)

Answer: (a) $GDP_{MP} - \text{Net indirect taxes}$

Question 7.

$NDP_{FC} =$

- (a) $GDP_{FC} - \text{Indirect taxes}$
- (b) $GDP_{FC} - \text{Depreciation}$
- (c) $GDP_{FC} + \text{Economic subsidy}$
- (d) All of these

▼ [Answer](#)

Answer: (b) $GDP_{FC} - \text{Depreciation}$

Question 8.

$NNP_{FC} =$

- (a) $GNP_{FC} - \text{Depredation}$
- (b) $NNP_{MP} + \text{Economic subsidy} - \text{Indirect taxes}$
- (c) $NDP_{MP} + \text{Net factor income from abroad}$
- (d) All of these

▼ [Answer](#)

Answer: (d) All of these

Question 9.

Accounting of National Income at constant prices is known as

- (a) Money income
- (b) Real income
- (c) Current income
- (d) Domestic income

▼ [Answer](#)

Answer: (b) Real income

Question 10.

Which of the following items are excluded from GNP measurement?

- (a) Purely financial transactions
- (b) Transfer of used goods and non-market goods and services
- (c) Illegal activities and the value of leisure
- (d) All of these

▼ [Answer](#)

Answer: (d) All of these

Fill in the blanks with the correct word.

Question 1.

Real National Income is the value of current income at _____ year prices.

▼ [Answer](#)

Answer: base

Question 2.

Flow is a _____ concept.

▼ [Answer](#)

Answer: dynamic

Question 3.

_____ flow shows the flow of goods and services across different sectors.

▼ [Answer](#)

Answer: Real

Question 4.

_____ has no time dimension.

▼ Answer

Answer: Stock

Question 5.

_____ has a time dimension.

▼ Answer

Answer: Row

Question 6.

The production method is also known as the _____ method.

▼ Answer

Answer: value-added

Question 7.

The weights are _____ in C.P.I.

▼ Answer

Answer: constant

Question 8.

GDP deflator does not include prices of _____ goods.

▼ Answer

Answer: imported

State whether the following statements are True or False. Give reasons.

Question 1.

Real flow shows the flow of money across different sectors.

▼ Answer

Answer: False.

Real flow shows the flow of goods and services across different sectors.

Question 2.

Stock is a dynamic concept.

▼ Answer

Answer: False.

Stock is a static concept whose magnitude is measured at a particular point in time.

Question 3.

National Income includes only transfer incomes, not the factor incomes.

▼ [Answer](#)

Answer: False.

National Income includes factor incomes, not the transfer incomes.

Question 4.

Import is leakage of the circular flow of income.

▼ [Answer](#)

Answer: True.

Imports lead to the withdrawal of income from the process circular flow.

Question 5.

The value of intermediate goods is not included in the estimation of value-added.

▼ [Answer](#)

Answer: True.

Only the value of output added at each stage of production is included in the estimation of value-added.

Question 6.

A part of the capital gets consumed during the year due to wear and tear is called value-added.

▼ [Answer](#)

Answer: False.

A part of the capital that gets consumed during the year due to wear and tear is called depreciation.

[Match the alternatives given in Column II with respective terms in Column I.](#)

Question 1.

Column I	Column II
(i) Flow variable	(a) Value Added Method
(ii) Stock variable	(b) Include in National Income

(iii) Product method	(c) Measured over a specific period of time
(iv) $NDP_{FC} =$	(d) Measured at a specific point in time
(v) $GDP_{FC} =$	(e) $NDP_{FC} - \text{Indirect Taxes} + \text{Subsidies}$
(vi) Saving	(f) Stock Concept
(vii) Wealth	(g) $NDP_{FC} + \text{Depreciation}$
(viii) Final expenditure method	(h) Flow Concept
(ix) Windfall gains	(i) Consumption and Investment Method
(x) Family members working free on the family-owned farm	(j) Don't include in National Income

▼ [Answer](#)

Answer:

Column I	Column II
(i) Flow variable	(c) Measured over a specific period of time
(ii) Stock variable	(d) Measured at a specific point in time
(iii) Product method	(a) Value Added Method
(iv) $NDP_{FC} =$	(e) $NDP_{MP} - \text{Indirect Taxes} + \text{Subsidies}$
(v) $GDP_{FC} =$	(g) $NDP_{FC} + \text{Depreciation}$
(vi) Saving	(h) Flow Concept
(vii) Wealth	(f) Stock Concept
(viii) Final expenditure method	(i) Consumption and Investment Method
(ix) Windfall gains	(j) Don't include in National Income
(x) Family members working free on the family-owned farm	(b) Include in National Income

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