INDIAN SCHOOL AL WADI AL KABIR

Class: XII	Department: Commerce
Worksheet:1	Topic: National Income

MCQs:

1. In terms of Economics, the total value of output (goods and services) produced and income received in a year by the domestic residents of a country put together is called?

(a) Net National Product
(b) Gross national product
(c) Gross national income
(d) National Income

2. If NFIA is negative,

(a) Factor income to abroad will be less than Factor income from abroad
(b) Factor income to abroad will be equal to Factor income from abroad
(c) Factor income to abroad will be more than Factor income from abroad
(d) None of the above

3. If NFIA is positive,

(a) NDPFC = NNPFC
(b) NDPFC > NNPFC
(c) NDPFC < NNPFC
(d) None of the above

4. Which of the following is an example of a transfer payment;

(a) Free meals in the company canteen
(b) Employers' contribution to social security
(c) Retirement pension
(d) Old-age pension

5. Identify the correct equation from the following:

(a) GDPMP = NNPFC + Depreciation
(b) NDPFC = NNPFC + Net Indirect Taxes
(c) GNPMP = GDPMP + Net Factor Income from Abroad
(d) NNPFC = NDPMP + Depreciation

6. **ASSERTION (A):** The goods which are used either for resale or for further production in the same year are Intermediate Goods.

REASONING (R): Intermediate Goods are included in National Income.

Alternatives:

(a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)
(b) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of

Assertion (A)
(c) Assertion (A) is true but Reason (R) is false.
(d) Assertion (A) is false but Reason (R) is true.

7. **ASSERTION (A):** An item that is meant for final use and will not pass through any more stages of production or transformations is called a final good.
REASONING (R): It will not undergo any further transformation at the hands of any producer, but many such final goods are transformed during their consumption.
Alternatives:
(a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)
(b) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A)
(c) Assertion (A) is true but Reason (R) is false.
(d) Assertion (A) is false but Reason (R) is true.

In the following questions, Statement 1 is followed by Statement 2. Mark the correct choice
(a) Both the statements are true.
(b) Both the statements are false.
(c) Statement 1 is true and statement 2 is false.
(d) Statement 2 is true and statement 1 is false.

8. Statement 1: Net National Product at Factor Cost (NNPfc) is the same as National Income.
Statement 2: National Income is calculated by deducting depreciation from Net Domestic Product at factor cost (NDPfc)

9. Statement 1: The circular flow of income demonstrates the interdependence between different sectors of the economy.
Statement 2: In a two-sector model, savings and investments always remain equal.

10. Statement 1: Net Exports are a part of the expenditure method of national income calculation.
Statement 2: Net Exports equal the difference between exports and imports.

Answer the Numerical:

1. **Calculate 'Gross National Product at Market Price'.**

S. No.	**Particulars**	**Amount (₹ crore)**
(i)	Net factor income to abroad	10
(ii)	Operating surplus	300
(iii)	Corporation tax	150
(iv)	Undistributed Profits	30
(v)	Mixed income	500
(vi)	Consumption of employees	1200
(vii)	Net indirect tax	250

Answer: ₹ 2,340 crores

2. **Find Net Value Added at Market Price:**

S.No.	Particulars	Amount/Value (₹)
(i)	Depreciation	700
(ii)	Output sold (units)	900
(iii)	Price per unit of output	40
(iv)	Closing stock	1,000
(v)	Opening stock	800
(vi)	Sales tax	3,000
(vii)	Intermediate cost	20,000

Answer: ₹ 15,500

3. Calculate the following:

i. If the nominal income is RS. 500 and Price index is 125, calculate real income.

(Ans: 400) (Real GDP = Nominal GDP/Price Index*100)

ii. If nominal GDP is ₹18000 crores, real GDP is ₹12000 crores, calculate GDP deflator. **(Ans. 150%)**

iii. If real GDP is ₹800 crores, GDP deflator is ₹7/5 (140%), calculate nominal GDP. **(Ans. ₹1120 crores)**

4. Calculate sales from the following data:

S.No.	Contents	Amount
(i)	Subsidies	200
(ii)	Opening Stock	100
(iii)	Closing Stock	600
(iv)	Intermediate Consumption	3000
(v)	Consumption of Fixed Capital	700
(vi)	Profit	750
(vii)	Net Value Added at Factor Cost	2000

Ans. **₹5000 lakhs**

5. Calculate: (a) Gross Domestic Product at Market Price and (b) Factor Income from Abroad from the following:

S.No.	Contents	₹ (in crores)
(i)	Profits	500
(ii)	Exports	40
(iii)	Compensation of Employees	1500
(iv)	Gross National Product at Factor Cost	2800
(v)	Net Current Transfers from Rest of The World	90
(vi)	Rent	300
(vii)	Rent	400
(viii)	Factor Income to Abroad	120
(ix)	Net Indirect Taxes	250
(x)	Net Domestic Capital Formation	250
(xi)	Gross Fixed Capital Formation	700
(xii)	Change in Stock	50

Ans. GDPmp = ₹3050 cr.; FIFA= ₹120 cr.

6. Calculate National Income by the (a) Expenditure method and (b) Production method:

S.no.	**Content**	**₹ (in crores)**
i)	Gross Value Added at market price by the primary sector	300
ii)	Private Final Consumption Expenditure	750
iii)	Consumption of fixed capital	150
iv)	Net Indirect Taxes	120
v)	Gross Value Added at market price by the secondary sector	200
vi)	Net Domestic Fixed Capital Formation	220
vii)	Change in stocks	(-) 20
viii)	Gross Value Added by the Tertiary Sector	700
ix)	Net Imports	50
x)	Government Final Consumption Expenditure	150
xi)	Net Factor Income from Abroad	20

Ans. ₹ 950 cr.

7. While estimating National Income, how will you treat the following? Give reasons for your answer**.**
(i) Imputed rent of self-occupied houses.
(ii) Interest received on debentures.
(iii) Financial help received by flood victims.

8. How will you treat the following while estimating National Income? 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 abroad branches.
(iii) Entertainment tax received by government.

9. Differentiate between:

i. Stock & Flow
ii. Real flow & Money flow
iii. Domestic Income & National income
iv. Rent & Royalty
v. Real GDP & Nominal GDP
vi. Factor Income & Transfer Income
vii. Final good & intermediate good

10. State the steps and precautions pertaining to the estimation of National Income under the:

a) Value added method b) Income Method c) Expenditure Method.

11. "Real Gross Domestic Product (GDP) is a better indicator of economic growth of a nation as compared to the Nominal Gross Domestic Product (GDP)." Do you agree with the given statement? Justify your answer with a valid hypothetical numerical example.

12. Elaborate the likely impact of construction of 20 new flyovers on the Gross Domestic Product (GDP) and Welfare in the economy.

Notes:

Basic Prices:

● The basic price is the amount a producer receives from a purchaser for a unit of a thing or service provided as output, less any tax due and any subsidy due on that unit as a result of its production or sale.

Basic price = Factor cost + Production taxes – Production subsidy

Market Prices:

● The market price of a commodity is the price at which it is sold on the open market. It comprises the costs of production such as wages, rent, interest, input prices, profit, and so on.

● It also includes government-imposed levies and government-provided producer subsidies.

Market price = Basic price + Product taxes – Product subsidy

Product taxes are paid or received per unit or per product. E.g. Excise tax, import duties.

Production taxes are paid or received in relation to production and are independent of the volume of production. E.g. Land revenues, stamp and registration fee.