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Chapter-03
National Income

1.The Expenditure on advertisement and public relation by an enterprise is a part of its-
(A) Consumption of fixed capital
(B) Final consumption Expenditure
(C) Intermediate Consumption
(D) Fined Capital

2.If a country produces consumer goods only and nothing else, then-
(A) Standard of living will be highest
(B) The country have certain amount of good
(C) The country will soon become poor if external trade will not happen
(D) The country will gradually become rich if external trade will not happen

3.The Income of Indians working abroad is-
(A) Domestic Income of India
(B) Income earned from abroad
(C) Net domestic product of India
(D) Gross domestic product of India.

4.When increase in income the increase in ratio between income & expenditure changes–
(A) In same ratio
(B) Ratio less than 1
(C) Ratio more than one
(D) None

5.The Census of Indian agriculture is done by–
(A) Production Method
(B) Income Method
(C) Expenditure Method
(D) Consumption Method

6.The First Income Committee was established in–
(A) 1948
(B) 1949
(C) 1950
(D) 1951

7.Depreciation is equal to–
(A) GNP – NNP
(B) NNP – GNP
(C) GNP – Personal Income
(D) Personal Income – Personal Taxes

8.Other name of Net National Product at market price-
(A) National Income
(B) Gross Domestic Production
(C) Personal Income
(D) Per Capital Income

9.A rising per Capita Income will indicate a better welfare if it is accompanied by –
(A) Unchanged Income distribution overall.
(B) Changed Income distribution in favour of rich.
(C) Changed Income distribution in favour of poor.
(D) Changed Income distribution in favour of Industrial Labour.

10.Income and consumption are–
(A) Inversely Related
(B) Directly Related
(C) Partially Related
(D) Unrelated

11.Which one of the following is not a method of measurement of National Income?
(A) Value Added Method
(B) Income Method
(C) Investment Method
(D) Expenditure Method

12.Gross Profit means–
(A) Total investment over total savings
(B) Changes in methods of production
(C) Changes in the form of business organisation
(D) Total receipts over total expenditure.

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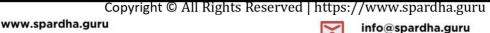
13.Per Capita Income is equal to–
(A) Dividing the country's national income by its population
(B) National Income + Population
(C) National Income - Population
(D) National Income x Population

14.Which one of the following is the most appropriate reason for inequalities in income?
(A) Racial factors
(B) Lack of opportunities
(C) Inheritance from family environment
(D) Differences in ability

15.National Income include–
(A) financial help to earthquake victims
(B) pocket money of a child
(C) winning of a lottery prize
(D) construction of a new house

16.Which of the following is not included in the National Income?
(A) Imputed rent of owner-occupied houses
(B) Government expenditure on making new bridges
(C) Winning a lottery
(D) Commission paid to an agent for sale of house

17.What does National Income mean?
(A) The total value of all goods and services produced in the country during a period of 1 year
(B) The total value of all stocks and shares in the country during a period of 1 year
(C) The total value of all capital goods produced in the country during a period of 1 year
(D) The total value of all consumer goods produced in the country during a period of 1 year

18.The difference between the GNP and the NNP is equal to the–
(A) Consumer expenditure on durable goods
(B) Direct tax revenue
(C) Indirect tax revenue
(D) Capital depreciation

19.The National Income of a country is–
(A) Government annual revenue
(B) Total productive income
(C) Surplus of the public sector enterprise
(D) Export and Import

20.The method of calculating the National Income by the product method is otherwise known as–
(A) Income method
(B) Value added method
(C) Expenditure method
(D) Net output method

21.While estimating National Income which of the following is not taken into account?
(A) Services of a teacher
(B) Services of a doctor
(C) Services of a housewife
(D) Services of a maid servant

22.Gross National Product is the money measure of–
(A) All tangible goods produced in a country
(B) Final goods and services produced in the economy
(C) Services generated annually in the economy
(D) All tangible goods available in the economy

23.Gross National Product means–
(A) Gross value of finished goods
(B) Money values of the total national production for any given period
(C) Gross value of raw materials
(D) Money value of inputs and outputs

24.Aggregate net value of the output in 1 year is the–
(A) National Income at factor cost
(B) Gross Domestic Product at market prices
(C) Net National Product at market prices
(D) Gross National Product at market prices

25. National Income accounting is the study of the income and expenditure of the entire—
(A) Family
(B) State
(C) Economy
(D) Organisation

26. Fish catch by indian fisher- men in the international waters are part of the GDP of—
(A) Sri Lanka
(B) India and Sri Lanka
(C) India
(D) India and Indonesia

27. In a highly developed country the relative contribution of agriculture to GDP is—
(A) Relative high
(B) Relatively low
(C) Same as that of other sectors
(D) Zero

28. To achieve high rates of growth of national Government output, the economy has to-
(A) Reduce the rate of growth of population
(B) Borrow foreign capital
(C) Step up the rate of savings
(D) Increase the rate of investment and reduce the capital output ratio

29. The national income of a country is
(A) Government annual revenue
(B) Total productive income
(C) Surplus of the public sector enterprise
(D) Export-(Loan) import

30. A firm sells new shares worth Rs. 1000 directly to individuals. This transaction will cause
(A) Groos National product to rise by Rs. 100
(B) Gross Domestic product to rise by Rs. 1000
(C) National Income to rise by Rs. 1000
(D) No impact on Gross National product

31. What is the main function of Central Statistical Organsiation (CSO)?
(A) Determination of Money supply
(B) Collection of estimates of national income
(C) Collection of detail data regarding empolyment
(D) Price Determination

32. India's biggest nationalised enterprise today
(A) The Indian Railways
(B) The Indian Commercial Banking System
(C) The Indian Power Sector
(D) The Indian Telecommu-nication System

33. Per capita income is obtained by dividing National Income by
(A) Total population of the country
(B) Totol working population
(C) Area of the country
(D) Volume of capital used
Exp: Per capita income measure average income earned per person in given area. It is measured by dividing the country's total income by its population

34. GDP at factor Cost is-
(A) GDP minus indirect taxes plus subsidies
(B) GDP minus depreciation allowances
(C) NNP plus depreciation allowances
(D) GDP minus subsidies plus indirect taxes

35. Gross Domestic Product is defined as the value of all-
(A) Goods produced in an economy in a year
(B) Goods and services produced in an economy in a year
(C) Final goods produced in an economy in a year
(D) Final goods and services produced in a economy in a year

36. The largest share of India's national income originates in the-
(A) Primary sector
(B) Secondary sector

(C) Tertiary sector

(D) Any of the above

37. The preparation of National Income Estimates is the responsibility of the

(A) Planning Commission

(B) National Development Council

(C) National Sample Survey Organsiation

(D) Central Statistical Organsiation

38. Which of the following is not a part of national income?

(A) Wages and Salaries

(B) Profits

(C) Rent

(D) Interest on national debt

Exp: National income refers to value of all final goods produced within the country for a specific time period. Calculation of GDP by Income method includes factor cost i.e. wages and salaries, profit. It does not involves interest on national debt.

39. National Income at factor cost is equal to-

(A) Net National Product - Indirect taxes + Subsidies

(B) Net National Product - Direct taxes + Subsidies

(C) Gross National Product - Depreciation charges

(D) Net National Product + Net Income from abroad

40. Who among the following Indian Economists has done pioneering work on National Income?

(A) Jagdish Bhagwati

(B) M.L. Seth

(C) Amartya Sen

(D) V.K.R.V. Rao

41. Who had estimated National Income in India first?

(A) V.K.R.V. Rao

(B) Dadabhai Naoroji

(C) R.C. Dutt

(D) D.R. Gadgil

42. While computing national income estimates, which of the following is required to be observed?

(A) The value of exports to be added and the value of imports to be substracted

(B) The value of exports to be subtracted and the value of imports to be added

(C) The value of the both exports and imports to be added

(D) The value of both exports and imports to be subtracted

43. Which of the following is deducted fron NNP to arrive at NI?

(A) Indirect Tax

(B) Capital consumption allowance

(C) Subsidy

(D) Interest

44. Which one of the following is not included while estimating national income through income method?

(A) Rent

(B) Mixed incomes

(C) Pension

(D) Undistributed profits

45. The largest component of National income in india is

(A) Service Sector

(B) Agriculture

(C) Industrial Sector

(D) Trade Sector

46. The main difference between Gross Domestic Product (GDP) and Gross National Product (GNP) is-

(A) Transfer payments

(B) Net foreign income from abroad

(C) Capital consumption allowance

(D) Capital gains

47. Gross domestic product is a measure of-

(A) A country international economic activities

(B) A country's domestic economic activities

(C) A country's financial position

(D)A country's industrial output

48.Which of the following method is not used in determining National income of a country?

(A) Income Method

(B) Product Method

(C) Expenditure Method

(D) Investment Method

49.The profits of Indian banks operating in foreign countries are a part of-

(A) Income from entrepreneurship earned from abroad

(B) Domestic factor income of india

(C) Profits of the enterprises working in domestic territory of India

(D) Operating surplus of the banks located in india

50.National Income can be calculated in all except one of the following ways-

(A) sum of all expenditures

(B) sum of all outputs

(C) sum of all savings

(D) sum of all incomes

51.The method of calculating the national income by the product method is otherwise known as:

(A) Income method

(B) Value added method

(C) Expenditure method

(D) Net output method

52.The best measure to assess a country economic growth is-

(A) Per capita income at constant prices

(B) Per capita income at current prices

(C) Gross domestic product at current prices

(D)Gross national product at current prices

53.Which of the following is not required while computing Gross National Product (GNP)?

(A) Net foreign investment

(B) Private investment

(C) Per capita income of citizens

(D) Purchase of goods by government

54.The sum total of incomes recieved for the services of labour, land or capital in a country is called-

(A) Gross domestic product

(B) National income

(C) Gross domestic income

(D) Gross national income

55.In calculating National income which of the following is included?

(A) Services of housewives

(B) Pensions

(C) Income of smugglers

(D) Income of watchmen

56.The term 'Green GNP' emphasises-

(A) rapid growth of GNP

(B) increase in per capita income

(C) economic development

(D) sustainable development

57. The national income consists of a collection of goods and services reduced of common basis by being measured in term of money". Who says this?

(A) Samuelson

(B) Kunznets

(C) Hicks

(D) Pigou

58.Which of the following is a better measurement of economic Development?

(A) GNP

(B) Disposable income

(C) NNP

(D) Per capita income

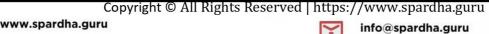59.Which of the statements is correct about India's national income?

(A) Percentage share of agriculture is higher than services

(B) Percentage share of agriculture is higher than agriculture

(C) Percentage share of services is higher than industry

(D) Percentage share of services is higher than agriculture and industry put together

60.Which of the following is not included in the National Income?

(A) Imputed rent of owner-oc-cupied houses

(B) Government expenditure on making new bridges

(C) Winning a lottery

(D) Commission paid to an agent for sale of house

61.Personal disposable income is

(A) Always equal to personal income

(B) Always more than personal income

(C) Equal to personal income minus indirect taxes

(D)Equal to personal income minus direct taxes

62.Net National Product of a country is-

(A) GDP minus depreciation

(B) GDP plus net income from abroad

(C) GNP minus net income from abroad

(D) GNP minus depreciation alowances

63.Which of the following is not a method of estimating National Income?

(A) Expenditure method

(B) Product method

(C) Matrix method

(D)Income method

64.National Income is the-

(A) Net National Product at market price

(B) Net National Product at factor cost

(C) Net domestic Product at factor cost

(D) Net domestic Product at factor cost

65.An individual's actual standard of living can be assessed by-

(A) Gross National Income

(B) Net National Income

(C) Per Capital Income

(D) Disposable Personal Income

66.The total value of goods and services produced in a country during a given period is-

(A) Disposable income

(B) National income

(C) Per capital income

(D) Net national income

67.'Personal Income' equals-

(A) The household sector's income

(B) Private income minus savings of the corporate tax

(C) Personal disposable income plus miscellaneous receipts of the Government

(D) All of the above

68.An increase in national income because of an increase in price is called-

(A) An increase in National Income in real terms

(B) An increase in national Income at constant prices

(C) An increase in money National Income

(D) An increase in National Income in base year prices

69.Net National Product in National income Accounting refers to-

(A) Gross Domestic Product - depreciation

(B) Goss Domestic Product - Depreciation

(C) Gross National Product - Depreciation

(D) Gross Nationa Product + Subsidies

70.   A very high rise in National Income at current market prices and a low rise at constant prices reveals-

(A) The high rate of growth in the economy at the current period

(B) The increased production in the current period

(C) The improper growth of the economy

(D) The high rate of inflation prevailing in the economy

71. An increase in per capital income is not an indication of an increase in the economic welfare of the people-
(A) When such increase is the result of an increased production of comforts
(B) When such increase is the result of an increase in agricultural production
(C) When it is the result of an increase in the production of industrial goods
(D) When such increase is the result of intoxicants

72. Transfer payments include:
(A) Gifts received from a friend
(B) Rent free accommodation by the employer
(C) Net factor income from abroad
(D) Employee's contribution to social security

73. National Income is generated from:
(A) any money-making activity
(B) any laborious activity
(C) any profit-making activity
(D) any productive activity

74. Per capital income=
(A) Income
(B) Gross income
(C) Per capital income
(D) Average income earned per person in a given area

75. Which of the following is deducted from GNP to arrive at NNP?
(A) Depreciation
(B) Interest
(C) Tax
(D) Subsidy

76. Transfer payments mean-
(A) Old age pensions
(B) Unemployment compensations
(C) Social security payments
(D) All the above

77. Economic progress of a country is determined by-
(A) Increase in Per Capita Income of people of country
(B) Increase in the price of produced capital goods during the year
(C) Increased numbers of Trade Unions
(D) Fall in the general price level of a country

78. The difference between GNP and NNP equals
(A) Corporate profits
(B) Personal taxes
(C) Transfer payments
(D) depreciation

79. Which of the following is not an investment expenditure in goods and services?
(A) Expansion of the main plant of a company
(B) Purchase of a house
(C) Purchase of machinery
(D) An increase in business inventories

80. Which one of the following represents the Savings of the Private Corporate Sector?
(A) Dividends paid to shareholders
(B) Total Profits of a company
(C) Undistributed profits
(D) Excess of income over expenditure

81. Which one of the following is not a method for computing GNP?
(A) Income Approach
(B) Expenditure Approach
(C) Savings Approach
(D) Value Added Approach

82. Average propensity to consume is defined as-
(A) Aggregate consumption total population
(B) Aggregate income Aggregate consumption
(C) Change in consumption Change in income
(D) Aggregate consumption Aggeregate income

83. Which of the following relations always holds true?
(A) Income = Consumption + Investment

(B) Income = Consumption + saving

(C) Saving = Investment

(D) Income = Consumption + Saving + Investment

84.Over short period, when income rises, average propensity to consume usually-

(A) rises

(B) falls

(C) remains constant

(D) Fluctuates

85. The value of investment multiplier relates to-

(A) Change in income due to change in autonomous investment.

(B) Change in autonomous investment due to change in income.

(C) change in income due to change in consumption.

(D) change in the income due to change in induced investment.

86. Savings rate is relatively low in developed economics because of-

(A) Low Per Capita Income

(B) Welfare programmes

(C) liquidity/Borrowing constraint

(D) High interest rate

87. The relationship between the rate of interest and level of consumption was first visualized by-

(A) Amartya K.Sen

(B) Milton Friedman

(C) Irving Fisher

(D) James Duesenberry

88.The hypothesis that rapid growth of per capita income will be associated with a reduction in poverty is called-

(A) trickle down Hypothesis

(B) trickle up hypothesis

(C) U shaped hypothesis

(D) poverty estimation hypothesis

89.Gross National product - Depreciation Allowance=?

(A) Per Capital Income

(B) Gross Domestic Product

(C) Personal Income

(D) Net National Product

90.Which of the following best indicates economic growth of a Nation?

(A) Agriculture income

(B) Per capita income

(C) Gross industrial production

(D) Inflation

91.Sectoral distribution of GDP index measures____

(A) Agricultural development of a country

(B) Economic development of a country

(C) Social development of a country

(D) Socio-economic development of a country

92. If People's income of a country is denoted in a curved line space that it has increased, then what does it denote?

(A) The income is increasing

(B) The income is decreasing

(C) Dissimilarity is decreasing in income distribution

(D) Dissimilarity in income distribution is increasing

93.Capital formation in an economy depends on-

(A) Total Income

(B) total demand

(C) Total savings

(D) Total production

94.The data collection for national income estimation is conduced in India by_

(A) The Finance Ministry of the Government of India

(B) The RBI

(C) The NSSO (National Sample Survey Organi-sation)

(D) None of these

95. Sectoral distribution of GDP index measures_____
(A) Agriculture development of a country
(B) Economic development of a country
(C) Social development of a country
(D) Socio-Economic development of a country

96. Saving is that portion of money income that is _____.
(A) spent for development of Industries
(B) not spent on consumption
(C) spent on health and education
(D) spent for consumer durables

97. An indifference curve measures the same level of _____
(A) Output from two factors
(B) Satisfaction from two commodities
(C) Satisfaction from Income and Capital
(D) Satisfaction from expenditure and savings

98. An indifference curve measures level of satisfaction derived from different combinations of commodity X and Y.
(A) same
(B) higher
(C) lower
(D) minimum

99. Value of Total Goods and Services produced in a country is its _____ .
(A) Gross Domestic Product
(B) Gross Revenue Income
(C) Total Goods Revenue
(D) Total Income

100. If hiring an extra worker increases a factory's output from 1000 to 1200 units per day but the factory has to reduce the price of its product from Rs. 25 to Rs. 24 per unit to sell the additional output, the marginal revenue product of the last worker is
(A) Rs. 3800
(B) Rs. 200

(C) Rs. 100
(D) Rs. 4000

101. Calculate a country's GDP if for the year consumer spending is $400 million, government spending is $150 investment by businesses is $80 million, exports are $35 million and imports are $40 million.
(A) $ 625 million
(B) $ 465 million
(C) $ 475 million
(D) $ 635 million

102. If for the year a country's GDP was $990 million, consumer spending was $630 million, investment by businesses was $110 million, exports were $55 million and imports were $45 million, calculate government spending?
(A) $260 million
(B) $240 million
(C) $480 million
(D) $460 million

103. If for the year a country's GDP was $ 1315 million, consumer spending was $900 million, investment by businesses was $180 million, exports were $85 million and imports were $100 million, calculate government spending?
(A) $220 million
(B) $250 million
(C) $580 million
(D) $610 million

104. Calculate a country's GDP if for the year, consumer spending is $900 million, government spending is $250 million, investment by businesses is $180 million, exports are $85 million and imports are $100 million.
(A) $1345 million
(B) $1315 million
(C) $955 million
(D) $815 million

105. Which of the following measures will not increase a nation's wealth?
(A) investing in new companies
(B) increasing efficiency of factories
(C) converting grasslands into orchards
(D) By redistributing taxes as subsidies

106. In 2015, the nominal rate of interest in a country was 5.5% and the inflation rate then was 2.5%. So real rate of interest in 2015 was _____.
(A) 8 percent
(B) 2.2 percent
(C) 3 percent
(D) 13.75 percent

107. Which of the following equation is/are INCORRECT?
I. NI = NDP + Net Foreign Income
II. GNP = GDP + Net Foreign Income
III. NDP = GNP - Depreciation
(A) Only (I) and (II)
(B) Only (III)
(C) Only (II) and (III)
(D) Only (II)

108. Which of the following is called GDP Deflator?
(A) Ratio of nominal to real GDP
(B) Ratio of nominal to real GNP
(C) Ratio of nominal to real CPI
(D) Ratio of real to nominal GNP

109. Which organisation monitors the banks in actually maintaining cash balance?
(A) State Bank of India
(B) Reserve Bank of India
(C) Grameen Bank of India
(D) None of these

110. From which of the following, is the GDP of a country not derived from?
(A) Agricultural sector
(B) Industrial sector
(C) International sector
(D) Service sector

111. GDP - indirect taxes + subsidies = _____
(A) NNP at factor cost
(B) GDP at factor cost
(C) GNP
(D) Personal Income

112. GNP - depreciation allowances = _____
(A) National Income
(B) NDP
(C) NNP
(D) GDP

113. What is the full form of GNI?
(A) Gross National Interest
(B) Gross National Income
(C) Gross Net Interest
(D) Gross Net Income

114. Which organisation measures Gross Domestic Product in India?
(A) Reserve Bank of India
(B) NITI Aayog
(C) State Bank of India
(D) Central Statistics Office

115. If exports equal imports then, which of the following relations will be true?
(A) GDP = GNP
(B) GDP > GNP
(C) GDP < GNP
(D) None of these

116. What is the full form of NNP?
(A) Normal Net Production
(B) Net National Product
(C) Normal National Produce
(D) Net Normal Produce

117.What is Disposable Personal Income?

(A) Personal Income + Subsidies

(B) Personal Income - Subsidies

(C) Personal Income - Direct Taxes

(D) Personal Income - Indirect Taxes