

CHAPTER-2 | National Income Accounting

QUIZ
PART-03

1. What is the difference between GDP at Market Price (MP) and GDP at Factor Cost (FC)?
 A. GDP at MP includes indirect taxes and subsidies, while GDP at FC does not
 B. GDP at FC includes indirect taxes and subsidies, while GDP at MP does not
 C. GDP at MP and GDP at FC are the same
 D. GDP at MP is always greater than GDP at FC

(A)

Explanation: GDP at MP = GDP at FC + Net Indirect Taxes (Indirect Taxes – Subsidies). Thus, GDP at MP includes these taxes, while GDP at FC excludes them.

2. Which of the following best explains the difference between Gross National Product (GNP) and Gross Domestic Product (GDP)?
 A. Income earned by foreigners working within the country
 B. Income earned by citizens working abroad
 C. Depreciation
 D. Indirect taxes

(B)

Explanation: GNP includes income earned by citizens abroad, while GDP only considers production within domestic territory.

3. If Gross National Product at Market Prices is ₹65,000 crores, depreciation is 10% of capital stock valued at ₹1,20,000 crores, indirect taxes are ₹6,000 crores, and subsidies are ₹1,000 crores, what is the National Income (NNP at FC)?
 A. ₹46,000 crores
 B. ₹51,000 crores
 C. ₹48,000 crores
 D. ₹50,000 crores

(C)

Explanation: National Income = GNPMP – Depreciation – Net Indirect Taxes. Depreciation = 12,000; NIT = 6,000 – 1,000 = 5,000. So NI = 65,000 – 12,000 – 5,000 = 48,000 crores.

4. Domestic Income (NDP at FC) is equal to:
 A. GDPMP – Depreciation – Net Indirect Taxes
 B. GNPMP – Depreciation – Net Indirect Taxes
 C. GDPFC – Depreciation
 D. NNPMP – Depreciation

(A)

Explanation: Domestic income is calculated as GDP at Market Price minus depreciation and net indirect taxes.

5. Which aggregate is also known as “National Income”?
 A. NDPMP
 B. NNPFC
 C. GDPFC
 D. GNPMP

(B)

Explanation: National Income refers to Net National Product at Factor Cost (NNPFC).

6. Net Factor Income from Abroad (NFIA) is calculated as:

- A. National Value – Domestic Value
 B. Gross Value – Net Value
 C. Market Price – Factor Cost
 D. Depreciation ÷ Gross Investment

(A)

Explanation: NFIA equals the difference between national aggregates and domestic aggregates (income from abroad minus income paid abroad).

7. Which formula is correct for NNPMP?

- A. GNPMP – Depreciation
 B. GNPFC – Net Indirect Taxes
 C. GDPMP – NFIA
 D. GDPFC – Depreciation

(A)

Explanation: Net National Product at Market Price is Gross National Product at Market Price minus depreciation.

8. If GDPMP = ₹70,150 crores, indirect taxes = ₹5,200 crores, subsidies = ₹4,000 crores, depreciation = ₹3,100 crores, and NFIA = ₹500 crores, what is the National Income (NNP at FC)?

- A. ₹58,350 crores
 B. ₹58,750 crores
 C. ₹59,000 crores
 D. ₹59,250 crores

(B)

Explanation: NI = GDPMP – Depreciation – NIT + NFIA. NIT = 5,200 – 4,000 = 1,200. NI = 70,150 – 3,100 – 1,200 + 500 = 58,750 crores.

9. Which aggregate is considered “Domestic Concept”?

- A. GNPFC
 B. NNPFC
 C. GDPMP
 D. NNPMP

(C)

Explanation: GDPMP is a domestic concept since it measures production within domestic territory, irrespective of the producer's nationality.

10. Which aggregate is considered “National Concept”?

- A. NNPFC
 B. GDPMP
 C. NDPMP
 D. NDPFC

(A)

Explanation: NNPFC includes production by normal residents even outside domestic territory, making it a national concept.