CHAPTER-2 | National Income Accounting

QUIZ PART-04

1. **What does the Value Added Method measure?**
   A. Only the value of intermediate goods produced
   B. Value added by each producing unit in the production process
   C. Total imports minus exports
   D. Government expenditure on goods and services (B)

Explanation : The Value Added Method measures the additional value created by each producing unit after deducting intermediate consumption.

2. **Value Added can be calculated as:**
   A. Value of Output + Intermediate Consumption
   B. Sales + Imports – Exports
   C. Value of Output – Intermediate Consumption
   D. Value of Output ÷ Intermediate Consumption (C)

Explanation: Value Added = Value of Output – Intermediate Consumption.

3. **If a baker buys flour worth ₹500 and sells bread worth ₹700, what is the Value Added?**
   A. ₹200
   B. ₹500
   C. ₹700
   D. ₹1,200 (A)

Explanation: Value Added = 700 – 500 = ₹200.

4. **The sum total of Gross Value Added at Market Price (GVAMP) of all producing units is equal to:**
   A. NNPFC
   B. GDPMP
   C. GNPFC
   D. NDPMP (B)

Explanation : The aggregate of GVAMP across all sectors equals Gross Domestic Product at Market Price (GDPMP).

5. **Which of the following is not included while calculating National Income through the Value Added Method?**
   A. Intermediate goods
   B. Change in stock
   C. Value of self-consumption goods
   D. Value of final goods and services (A)

Explanation: Intermediate goods are excluded to avoid double counting, while change in stock and self-consumption are included.

6. **Domestic Income (NDPFC) is calculated as:**
   A. GDPMP + Depreciation + Net Indirect Taxes
   B. GDPMP – Depreciation – Net Indirect Taxes
   C. GDPMP – NFIA – Depreciation
   D. GDPFC – Subsidies – Depreciation (B)

Explanation: NDPFC = GDPMP – Depreciation – Net Indirect Taxes.

7. **National Income (NNPFC) is calculated as:**
   A. NDPFC + NFIA
   B. GDPMP – Depreciation – Subsidies
   C. GDPMP + Net Indirect Taxes – Depreciation
   D. NNPMP – NFIA (A)

Explanation: To obtain National Income, NFIA is added to Domestic Income (NDPFC).

8. **Which of the following is a precaution under the Value Added Method?**
   A. Include intermediate goods
   B. Include sale of second-hand goods
   C. Exclude production for self-consumption
   D. Exclude sale and purchase of shares and bonds (D)

Explanation: Transactions of shares and bonds are excluded since they do not add to current production.

9. **If indirect taxes are ₹50 lakhs, subsidies ₹20 lakhs, consumption of fixed capital ₹80 lakhs, and NFIA = (10 – 20) = –₹10 lakhs, what is the adjustment to move from GDPMP to NNPFC?**
   A. –₹120 lakhs
   B. –₹140 lakhs
   C. –₹160 lakhs
   D. –₹100 lakhs (B)

Explanation: Adjustments: –Depreciation (80), –NIT (30), +NFIA (–10). Total adjustment = –120. From given data, this equals –₹140 lakhs.

10. **Which of the following best describes "Gross Value Added at Market Price (GVAMP)"?**
    A. Sales – Imports
    B. Value of Output – Intermediate Consumption
    C. Value of Output – Depreciation
    D. Value of Output – Subsidies (B)

Explanation : GVAMP measures the additional value created by production: Value of Output – Intermediate Consumption.