

## CHAPTER-2 | National Income Accounting

QUIZ  
PART-06

1. The Expenditure Method measures National Income as:

- A. Sum of all factor incomes
- B. Sum of value added by all producing units
- C. Sum of all final expenditures by households, firms, government, and foreigners
- D. Sum of all taxes and subsidies (C)

**Explanation:** The Expenditure Method calculates NI as the total of consumption, investment, government expenditure, and net exports.

2. Which formula represents GDP at Market Price (GDPMP) using the Expenditure Method?

- A.  $GDPMP = C + I + G + (X - M)$
- B.  $GDPMP = C + S + T$
- C.  $GDPMP = C + I + X$
- D.  $GDPMP = C + I + G$  (A)

**Explanation:** GDPMP is measured as the sum of private consumption, investment, government expenditure, and net exports.

3. Which of the following is included under Private Final Consumption Expenditure (PFCE)?

- A. Expenditure on durable and non-durable consumer goods
- B. Expenditure on purchase of second-hand goods
- C. Expenditure on shares and bonds
- D. Expenditure on transfer payments (A)

**Explanation:** PFCE includes households' spending on durable, semi-durable, non-durable goods and services.

4. Government Final Consumption Expenditure (GFCE) mainly covers:

- A. Defence, law and order, education, and welfare services
- B. Expenditure on shares and debentures
- C. Production of goods for profit-making
- D. Expenditure on second-hand goods (A)

**Explanation:** GFCE is spending by government on administrative and welfare services without profit motive.

5. Gross Domestic Capital Formation (GDCF) includes:

- A. Only household consumption expenditure
- B. Only inventory investment
- C. Gross fixed capital formation and inventory investment
- D. Only government expenditure (C)

**Explanation:** GDCF covers additions to the capital stock, including gross fixed capital formation and changes in inventory.

6. Net Exports ( $X - M$ ) refers to:

- A. Imports minus exports
- B. Exports plus imports
- C. Exports minus imports
- D. Only foreign investment inflow (C)

**Explanation:** Net Exports equal the value of exports minus imports during a year.

7. Domestic Income (NDP at FC) is calculated as:

- A.  $GDPMP - \text{Depreciation} - \text{Net Indirect Taxes}$
- B.  $GDPFC - \text{Depreciation} - \text{NFIA}$
- C.  $GNPMP - \text{NFIA} - \text{Subsidies}$
- D.  $GDPMP - \text{Subsidies} - \text{Consumption of Fixed Capital}$  (A)

**Explanation:** Subtracting depreciation and net indirect taxes from GDPMP gives NDP at Factor Cost.

8. National Income (NNP at FC) is obtained by adding which item to Domestic Income (NDPFC)?

- A. Indirect Taxes
- B. Subsidies
- C. Net Factor Income from Abroad (NFIA)
- D. Depreciation (C)

**Explanation:** Adding NFIA to Domestic Income (NDPFC) gives National Income (NNPFC).

9. Which of the following is excluded as a precaution in the Expenditure Method?

- A. Expenditure on durable consumer goods
- B. Expenditure on own account production
- C. Government welfare expenditure
- D. Net exports (B)

**Explanation:** Own account production is excluded because it does not involve actual monetary expenditure.

10. Which of the following is the correct formula for calculating National Income using the Expenditure Method?

- A.  $C + I + G$
- B.  $C + S + T$
- C.  $C + I + G + (X - M) - \text{Depreciation} - \text{NIT} + \text{NFIA}$
- D.  $C + I + X$  (C)

**Explanation:** National Income (NNPFC) = PFCE + GFCE + GDCF +  $(X - M) - \text{Depreciation} - \text{NIT} + \text{NFIA}$ .