

CHAPTER-2 | National Income Accounting

QUIZ
PART-05

1. The Income Method of calculating National Income is also known as:
A. Output Method and Distributive Share Method
B. Value Added Method and Expenditure Method
C. Transfer Method and Production Method
D. Stock Method and Flow Method (A)

Explanation: The Income Method is also called the Output Method, Distributive Share Method, or Factor Payment Method.

2. Which of the following is not included in Compensation of Employees?
A. Wages and salaries in cash
B. Wages and salaries in kind
C. Employer's contribution to social security schemes
D. Dividend received by shareholders (D)

Explanation: Compensation of employees includes wages in cash, kind, and employer's contributions, but not dividends.

3. Rent and royalty are part of National Income because:
A. They are transfer payments
B. They accrue to the owners of land, buildings, and sub-soil assets
C. They are interest on capital
D. They are government subsidies (B)

Explanation: Rent is income from ownership of land and buildings, while royalty is income from leasing sub-soil assets.

4. Interest included in National Income is:
A. All interest payments made in the economy
B. Only interest on consumption loans
C. Interest received from government on public debt
D. Interest received for lending funds to producing units (D)

Explanation: Only interest for productive purposes is included; interest on public debt or consumption loans is excluded.

5. Profit as a component of National Income includes:
A. Only dividends
B. Only retained earnings
C. Corporate tax, dividends, and retained earnings
D. None of the above (C)

Explanation: Profit is the entrepreneur's residual income and includes corporate tax, dividends, and retained earnings.

6. Mixed Income refers to income of:
A. Government employees
B. Large corporate firms
C. Self-employed persons like doctors, lawyers, and shopkeepers
D. Shareholders of companies (C)

Explanation: Mixed income arises when self-employed individuals act as both producers and suppliers of factor services.

7. Operating Surplus is equal to:
A. Rent + Royalty + Interest + Profit
B. Wages + Salaries + Mixed Income
C. Compensation of Employees + Rent + Profit
D. Mixed Income + Corporate Tax (A)

Explanation: Operating Surplus includes income from property (rent, royalty, interest) and entrepreneurship (profit).

8. Which of the following is excluded while calculating National Income using the Income Method?
A. Imputed value of owner-occupied house
B. Transfer incomes like pensions and scholarships
C. Employer's contribution to social security
D. Income of self-employed (B)

Explanation: Transfer incomes do not result from current productive activity, so they are excluded.

9. If Rent = ₹400 crores, Royalty = ₹200 crores, Interest = ₹500 crores, Compensation of Employees = ₹1,000 crores, Profit = ₹500 crores, and Mixed Income = ₹1,000 crores, then NDP at FC is:
A. ₹3,000 crores
B. ₹3,200 crores
C. ₹3,500 crores
D. ₹3,600 crores (B)

Explanation: NDP at FC = Sum of all factor incomes = $400 + 200 + 500 + 1,000 + 500 + 1,000 = ₹3,200$ crores.

10. Which of the following is added to Domestic Income (NDPFC) to arrive at National Income (NNPFC)?
A. Indirect Taxes
B. Subsidies
C. Net Factor Income from Abroad (NFIA)
D. Depreciation (C)

Explanation: National Income (NNPFC) = Domestic Income (NDPFC) + NFIA.