

## CHAPTER-2 | National Income Accounting

QUIZ  
PART-02

1. What is the term for the total value of all final goods and services produced within a country's borders over a specific time period?
- Net Domestic Product (NDP)
  - National Income (NI)
  - Personal Income (PI)
  - None of the above

**Explanation:** The total value of all final goods and services produced within domestic territory in a given period is Net Domestic Product (NDP).

2. What is the difference between Gross Investment and Net Investment?
- Gross Investment includes depreciation, while Net Investment does not
  - Gross Investment excludes depreciation, while Net Investment includes it
  - Both A and B
  - None of the above

**Explanation:** Gross investment is before deducting depreciation, while net investment is after deducting depreciation.

3. Choose the correct option:
- NDPFC = National Income
  - NDPMP = GDPFC – Depreciation + Net Indirect Taxes
  - NNPFC = Depreciation
  - NIT = IT + Subsidies

**Explanation:** NDPMP is calculated as GDPFC minus depreciation plus net indirect taxes.

4. What does Net Factor Income from Abroad (NFIA) represent?
- The value of all imports minus exports
  - The difference between factor income received from abroad and factor income paid abroad
  - The value of depreciation deducted from GDP
  - The indirect taxes collected by the government

**Explanation:** NFIA = Factor income earned from abroad – Factor income paid to abroad.

5. Which of the following is an example of an indirect tax?
- Income tax
  - Wealth tax
  - Goods and Services Tax (GST)
  - Corporate tax

**Explanation:** GST is an indirect tax levied on production and sale of goods and services.

6. Which of the following is provided by the government as a subsidy?
- Toll tax on highways
  - Electricity duty
  - LPG cylinders sold at reduced rates
  - Securities transaction tax

**Explanation:** Subsidies are financial assistance to producers; LPG in India is sold at subsidized rates.

7. What does depreciation mean in national income accounting?
- Increase in investment value
  - Consumption of fixed capital
  - Value of exports minus imports
  - Reduction in money supply

**Explanation:** Depreciation refers to the consumption of fixed capital or reduction in value of assets.

8. Which value includes indirect taxes and excludes subsidies?
- Factor Cost
  - Market Price
  - Net Factor Income from Abroad
  - Net National Product

**Explanation:** Market price = Factor cost + Net Indirect Taxes, i.e., indirect taxes minus subsidies.

9. Which concept excludes depreciation when calculating values?
- Gross concepts
  - Net concepts
  - Domestic concepts
  - Market price concepts

**Explanation:** Net concepts deduct depreciation, while gross concepts include it.

10. If GDP at Market Price is ₹5,000 crores, National Income (NNP at FC) is ₹4,000 crores, Net Direct Tax is ₹300 crores, and NFIA is ₹200 crores, then Consumption of Fixed Capital is:
- ₹500 crores
  - ₹1,000 crores
  - ₹1,100 crores
  - ₹1,200 crores

**Explanation:** Consumption of fixed capital (depreciation) = GDPMP – (NNPFC + Net Indirect Taxes – NFIA). Here, it comes to ₹1,000 crores.