


STUDY
mate 
helps excel in boards
Chapter End Test
(2019-20)

Date : _____
Duration : 45 Min.
Max. Marks : _____

Economics
Topic: National Income Accounting

Class
XII

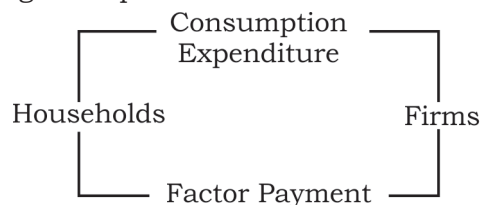
Disclaimer: This Chapter End Test is conducted after the chapter has been taught in a Studymate class. It is designed to check the comprehension of concepts of the topic by a student. The format of the paper and its questions reflect the same standard that appears in the actual board exam. It contains some easy questions which are based on memory/remembering skills of the student. Some questions are relatively difficult which test the analytical ability of the student. This will identify the specific topics in which student requires reinforcement and further assistance by the teacher.

Instructions:

- ▶ All questions are compulsory.
- ▶ Do not write anything in the question paper.

Section A - 1 Mark

1. What does the following digram represent



- (a) Real flow (b) Money flow (c) Nominal flow (d) Both (b) and (c)
2. Out of the following who are not Resident of India?
(a) Indians going abroad for medical treatment
(b) Indians working permanently in the office of UNO in New York
(c) Indian working in Indian Embassy in America
(d) Indian working in a branch of American Bank in India.
3. Which of the following will be included in GNP of India.
(a) Profits earned by a foreign company in India
(b) Salary paid to American working in Indian Embassy in America.
(c) Earning from sale of bonds to the investors
(d) None of the above
4. Final Goods refer to those goods which are used either for _____ or for _____.
(a) consumption, investment (b) Consumption, Resale
(c) Resale, investment (d) Resale, further production
5. Which of the following are covered under the domestic territory of India
(a) State Bank of India in London (b) Google Office in India
(c) Office of Tata Motors in Australia (d) Russian Embassy in India
6. If factor cost is greater than market price, then it means that :

- (a) Indirect Taxes > subsidies (b) Indirect Taxes = subsidies
(c) Indirect Taxes < subsidies (d) Indirect Taxes \geq subsidies
7. Net domestic product at factor cost is less than National Income when:
(a) NFIA is positive (b) NFIA is negative
(c) NFIA is zero (d) Net export are positive
8. Piyush's mother is a teacher. She also teaches piyush. How would you treat this while calculating national income and domestic income?
(a) It will be included in the national income, but not in the domestic income
(b) It will be included in the national income, but not in the national income
(c) It will be included in domestic income as well as national income
(d) It will neither be included in the domestic income nor in the national income
9. "Operating surplus" Refer to
(a) Income from Property
(b) Income from entrepreneurship
(c) Income from property and entrepreneurship
(d) None of these
10. Which one of the following is an intermediate good?
(a) Chalk, duster, etc. purchased by a school (b) Fertilizers used by the farmer
(c) Wheat-used by the flour mill (d) All of the above
11. A growing country is one with
(a) rising GNP at constant prices (b) constant GNP at constant prices
(c) rising GNP at current prices (d) None of these
12. The value of intermediate consumption will be _____, if purchase of raw material is Rs. 1,200, exports are of Rs. 600 and imports are of Rs. 200.
(a) 1,200 (b) 800 (c) 1,800 (d) 1,400
13. Gross Domestic Capital Formation can be calculated as:
(a) Gross fixed capital formation + Inventory investment
(b) Gross business fixed investment + Gross residential construction investment + Gross public investment + Inventory investment
(c) Net capital formation + Consumption of fixed capital
(d) All of these
14. National product at current prices is higher than national product at constant prices during a period of
(a) rising prices (b) falling prices (c) constant prices (d) both (a) and (b)
15. If nominal GDP is Rs. 15,000 crores and real GDP is Rs. 12,000 crores, then GDP deflator will be
(a) 110 (b) 120 (c) 125 (d) 140

Section - B

1. What is positive externality. [1]
2. Discuss briefly the circular flows of income in a two sector economy with the help of a suitable diagram. [3]

OR

Give the meaning of Nominal GDP and Real GDP which of these is a the indicator of economic welfare.

3. Giving Reason explain how should the following be treated in estimating GDP at market price [4]
- (i) Fees to a mechanic paid by a firm.
 - (ii) Interest paid by an individual on a car loan taken from a bank.
 - (iii) expenditure on purchasing a car for use by a firm.
 - (iv) Salary of residents of Japan working in Indian embassy in Japan.
4. Calculate (a) National Income and (b) Consumption A Fixed capital [6]

Particular	₹ in Crores
(i) Private final consumption expenditure	210
(ii) Gross domestic product at market price	320
(iii) Wages and salaries	170
(iv) Employer's contribution to provident fund	10
(v) Interest	20
(vi) Indirect Taxes	30
(vii) Subsidies	5
(viii) Rent	10
(ix) Profit	45
(x) Royalty	15
(xi) Net factor income from abroad	3



Hints/Solutions to Chapter End Test (2019-20)

Date : _____
Duration : 45 Min.
Max. Marks : 34

Economics
Topic: National Income Accounting

Class
XII

Section A - 1 Mark

- | | | | | |
|---------|---------|---------|---------|---------|
| 1. (d) | 2. (b) | 3. (d) | 4. (a) | 5. (b) |
| 6. (c) | 7. (a) | 8. (d) | 9. (c) | 10. (d) |
| 11. (a) | 12. (a) | 13. (d) | 14. (a) | 15. (c) |

Section - B

- Activities of firms which benefits others and they are not paid for it are called positive externalities.
- Real GDP:** Market value of final goods and services produced within domestic territory of a country during a period of one year measured at prices of base year
Nominal GDP: Market value of final goods and services produces within domestic territory of a country during a period of one year measured at current year prices.

Real GDP is better as compared to Nominal GDP because of following reasons:

- Real GDP helps in determining the effect of increased production of goods and services as it is affected by change in physical output only. On the other hand, Nominal GDP can increase even without any increase in physical output as it is affected by change in prices also.
 - Real GDP is a better measure to make periodic comparison in the physical output of goods and services over different years.
 - Real GDP facilitates international comparison of economic performance across the countries. Therefore, Real GDP is better than Nominal GDP as it truly reflects the growth of an Economy.
- It is not included because it is an intermediate cost of the firm.
 - It is not included because the loan is taken to meet consumption expenditure and therefore interest paid on such a loan is not a factor payment.
 - It is included because it is an investment expenditure, a final expenditure.
 - Yes it will be included in the GDP of India as the India Embassy is a part of the domestic India.
 - National Income (NNP_{FC})
 $= (iii) + (iv) + (v) + (viii) + (ix) + (x) + (xi)$
 $= 170 + 10 + 20 + 10 + 45 + 15 + 3 = \text{Rs. } 273 \text{ crores}$
 $= ₹ 273 \text{ crores.}$
 - Consumption of fixed capital
 $= GDP_{MP} + NFIA - (\text{Indirect taxes} - \text{Subsidies}) - NNP_{FC}$
 $= 320 + 3 - (30 - 5) - 273 = ₹ 25 \text{ crores}$

Note: We know: $NNP_{FC} = GDP_{MP} - \text{Consumption of fixed capital} + NFIA - (\text{Indirect taxes} - \text{Subsidies})$

It means: $\text{Consumption of fixed capital} = GDP_{MP} + NFIA - (\text{Indirect taxes} - \text{Subsidies}) - NNP_{FC}$

