

QUICK DRILL · CBSE CLASS 12

# National Income Accounting

Macroeconomics · Chapter 2 · 15 MCQs · 20 minutes · PYQ-tagged with time budgets

DATE	TOTAL MARKS	DURATION	MARKING	TARGET
_____	15	20 min	+1 / 0	≥ 12/15

**OBJECTIVES**

Reinforce the four core topics of National Income Accounting via 15 PYQ-derived MCQs. Identify weak sub-topics via concept-node IDs (see answer key). Build per-question time budget habit.

**INSTRUCTIONS**

Attempt all 15. Time budget shown per Q (use it as pacing guide). Mark answers (A/B/C/D) in the margin. Answer key + explanations on the last page. **Don't peek — score yourself honestly.**

**SECTION · QUICK DRILL**

Q 1-15 · 20 MIN

**Q1.** GDP at MP includes which of the following?

- (A) Indirect taxes
- (C) Depreciation

- (B) Subsidies
- (D) NFIA

PYQ 2018 · Delhi · 1m · ⌚ 30s

**Q2.** NDP at FC = ?

- (A) GDP at MP – Depreciation
- (C) GDP at MP + NFIA

- (B) GDP at MP – Depreciation – NIT
- (D) GDP at MP – NIT

PYQ 2019 · All India · 1m · ⌚ 45s

**Q3.** Net Indirect Taxes (NIT) equals:

- (A) Indirect Taxes + Subsidies
- (C) Subsidies – Indirect Taxes

- (B) Indirect Taxes – Subsidies
- (D) Indirect Taxes only

PYQ 2020 · Delhi · 1m · ⌚ 30s

**Q4.** GNP at MP equals:

- (A) GDP at MP – NFIA
- (C) GDP at MP – NIT

- (B) GDP at MP + NFIA
- (D) GDP at MP + Depreciation

PYQ 2018 · Outside Delhi · 1m · ⌚ 30s

**Q5.** National Income (NI) is most precisely defined as:

- (A) GDP at MP
- (C) NNP at MP

- (B) GNP at MP
- (D) NNP at FC

PYQ 2017 · Delhi · 1m · ⌚ 30s

**Q6.** A government pension paid to a retired employee is:

- (A) Compensation of employees, included in NI
- (C) Operating surplus, included in NI

- (B) A transfer payment, NOT included in NI
- (D) Mixed income, included in NI

PYQ 2019 · Outside Delhi · 1m · ⌚ 45s

**Q7.** Which of these is INTERMEDIATE consumption (not in GDP directly)?

- (A) A family's grocery bill
- (C) A bakery's flour purchase for making bread

- (B) A school's stationery purchase for teachers
- (D) A doctor's purchase of a new car for personal use

PYQ 2022 · Standard · 1m · ⌚ 60s

**Q8.** Capital gain from selling shares is:

- (A) Included in NI as operating surplus  
(C) NOT included in NI

PYQ 2021 · Standard · 1m · ⌚ 30s

- (B) Included in NI as mixed income  
(D) Included only if shares were held > 1 year

**Q9.** Sale of an old car is:

- (A) Fully included in current year GDP  
(C) Included as transfer payment

PYQ 2018 · All India · 1m · ⌚ 45s

- (B) NOT included; only the broker's commission is  
(D) Included as capital formation

**Q10.** If Nominal GDP = ₹400 and Real GDP = ₹250, the GDP Deflator is:

- (A) 62.5  
(C) 150

PYQ 2022 · Delhi · 1m · ⌚ 60s

- (B) 160  
(D) 100

**Q11.** Real GDP differs from Nominal GDP because:

- (A) Real uses current prices, Nominal uses base-year prices  
(C) Real includes NFIA, Nominal does not

PYQ 2020 · Delhi · 1m · ⌚ 30s

- (B) Real uses base-year prices, Nominal uses current prices  
(D) Real subtracts depreciation, Nominal does not

**Q12.** Net Factor Income from Abroad (NFIA) for India has typically been:

- (A) Positive (factor earnings from abroad > payments to foreigners)  
(C) Always zero

PYQ 2023 · Standard Set 2 · 1m · ⌚ 45s

- (B) Negative (factor payments to foreigners > earnings from abroad)  
(D) Same as exports

**Q13.** In the Expenditure Method, 'I' (Investment) does NOT include:

- (A) Gross Fixed Capital Formation  
(C) Net Acquisition of Valuables

PYQ 2019 · Delhi · 2m · ⌚ 60s

- (B) Change in Stocks  
(D) Purchase of shares by households

**Q14.** The 'value added' by a firm equals:

- (A) Sales  
(C) Value of Output – Intermediate Consumption

PYQ 2018 · Delhi · 1m · ⌚ 45s

- (B) Sales – Wages paid  
(D) Profit + Tax

**Q15.** GDP is an imperfect measure of welfare PRIMARILY because:

- (A) It is too easy to compute  
(C) It is published quarterly

PYQ 2024 · Standard · 1m · ⌚ 30s

- (B) It ignores distribution, non-market work, externalities, composition  
(D) It is denominated in rupees

## ANSWER KEY & EXPLANATIONS

Q 1-15 · MARK YOUR SCORE

**Q1. Answer: A**

GDP at MP is gross of indirect taxes (NIT). Subsidies are subtracted from indirect taxes to get NIT; depreciation is subtracted to reach Net; NFIA is added for National.

**Q2. Answer: B**

NDP at FC is reached by subtracting BOTH Depreciation (Gross→Net) AND NIT (MP→FC). Order doesn't matter; result is the same.

**Q3. Answer: B**

NIT = Indirect Taxes – Subsidies. Subsidies are negative indirect taxes (govt pays producer). Forgetting subsidy subtraction loses half a mark in calculations.

**Q4. Answer: B**

Domestic → National is achieved by ADDING NFIA.  $GNP \text{ at MP} = GDP \text{ at MP} + NFIA$ . NFIA can be positive or negative.

**Q5. Answer: D**

By CBSE convention, National Income =  $NNP \text{ at FC} = \text{Net National Product at Factor Cost} = NDP \text{ at FC} + NFIA$ . This is the income earned by Indian residents from production, net of depreciation, at factor cost.

**Q6. Answer: B**

A government pension paid AFTER retirement is a TRANSFER payment — no current factor service is provided in exchange. Transfer payments are NOT counted in National Income. (Pensions paid by an employer during employment as part of compensation ARE included.)

**Q7. Answer: C**

Flour bought by the bakery is an INTERMEDIATE input — its value is already embedded in the price of the final bread. Counting it separately would double-count. The other three are FINAL consumption.

**Q8. Answer: C**

Capital gains are NOT factor incomes — they are gains from holding assets, not from current production. They are excluded from National Income.

**Q9. Answer: B**

The car was produced in an earlier year and was counted in that year's GDP. Reselling it is just an ownership transfer. The broker's commission, however, is a CURRENT-year service and IS counted.

**Q10. Answer: B**

$GDP \text{ Deflator} = (\text{Nominal/Real}) \times 100 = (400/250) \times 100 = 160$ . Interpretation: prices in the current year are 60% higher than in the base year.

**Q11. Answer: B**

Real GDP uses BASE-YEAR prices to isolate volume changes from price changes. Nominal GDP uses current-year prices. India's current base year is 2011-12.

**Q12. Answer: B**

India's NFIA is typically NEGATIVE because foreign investors repatriate more profit than Indian residents earn abroad as factor income. Common 1-mark trap.

**Q13. Answer: D**

Purchase of shares is a financial-asset transaction, NOT investment in productive capacity. The other three are all components of Gross Domestic Capital Formation.

**Q14. Answer: C**

$\text{Value Added} = \text{Value of Output (Sales + Change in Stock)} - \text{Value of Intermediate Consumption}$ . This is the marginal contribution of the firm to GDP and avoids double-counting.

**Q15. Answer: B**

GDP's structural blind spots include income distribution, non-market activities (housework), externalities (pollution), composition of output (arms vs healthcare), and leisure time. All five are CBSE-syllabus limitations.