CHAPTER -12-NATIONAL INCOME AND RELATED AGGREGATES (METHODS OF MEASURING NATIONALINCOME)

ASSERTION- REASON QUESTIONS

S. No.	Questions
1	Assertion (A): The goods which are used either for resale or for further production in the same year are intermediate goods. Reason(R): Intermediate goods are included in National Income. A. Both Assertion (A) and Reason(R) are true and Reason(R) is the correct explanation of Assertion (A). B. Both Assertion (A) and Reason(R) are true and Reason(R) is not the correct explanation of Assertion (A). C. Assertion (A) is true but Reason(R) is false. D. Assertion (A) is false but Reason(R) is true.
2	Assertion (A): Value addition can also take place even when the commodity does not go through any transformation. Reason(R): It happens when a commodity is purchased for resale. A. Both Assertion (A) and Reason(R) are true and Reason(R) is the correct explanation of Assertion (A). B. Both Assertion (A) and Reason(R) are true and Reason(R) is not the correct explanation of Assertion (A). C. Assertion (A) is true but Reason(R) is false. D. Assertion (A) is false but Reason(R) is true.
3	Assertion (A): Gross Domestic Capital Formation can be less than Gross fixed capital formation. Reason(R): Change in stock is negative. A. Both Assertion (A) and Reason(R) are true and Reason(R) is the correct explanation of Assertion (A). B. Both Assertion (A) and Reason(R) are true and Reason(R) is not the correct

explanation of Assertion (A).

    C. Assertion (A) is true but Reason(R) is false.

    D. Assertion (A) is false but Reason(R) is true.

4   Assertion (A): The problem of double counting leads to underestimation of the National Income of the country.

Reason(R): Double counting arises when value of a good is counted more than once while measuring the value of National Income.

    A. Both Assertion (A) and Reason(R) are true and Reason(R) is the correct explanation of Assertion (A).

    B. Both Assertion (A) and Reason(R) are true and Reason(R) is not the correct explanation of Assertion (A).

    C. Assertion (A) is true but Reason(R) is false.

    D. Assertion (A) is false but Reason(R) is true.

5   Assertion (A): Domestic Income of a country can be more than its National Income.

Reason(R): Factor income paid abroad < factor income received from abroad.

    A. Both Assertion (A) and Reason(R) are true and Reason(R) is the correct explanation of Assertion (A).

    B. Both Assertion (A) and Reason(R) are true and Reason(R) is not the correct explanation of Assertion (A).

    C. Assertion (A) is true but Reason(R) is false.

    D. Assertion (A) is false but Reason(R) is true.

6   Assertion (A): The problem of double counting leads to under estimation of the national income of the country.

Reason (R): the double counting arises when value of a good is counted more than once while measuring the value of national income.

Give the correct option:

    A. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).

    B. Both assertion (A) and reason (R) are true and Reason (R) is not the correct explanation of Assertion (A).

    C. Assertion (A) is true but Reason (R) is false.

    D. Assertion (A) is false but Reason (R) is true.

7   Assertion (A): Nominal value is money value or value measured in term of prices that prevail

at the time of measurement.

Reason (R): GDP is measured at both current prices as well as constant prices.

    A. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).

    B. Both assertion (A) and reason (R) are true and Reason (R) is not the correct explanation of Assertion (A).

    C. Assertion (A) is true but Reason (R) is false.

    D. Assertion (A) is false but Reason (R) is true

8   Assertion (A): Tax is a main source of government revenue which is used to provide services are included in national income.

Reason (R): Tax is a transfer income.

    A. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).

    B. Both assertion (A) and reason (R) are true and Reason (R) is not the correct explanation of Assertion (A).

    C. Assertion (A) is true but Reason (R) is false.

    D. Assertion (A) is false but Reason (R) is true

9   Assertion (A): Compensation to flood victims is not included while national income.

Reason (R): Transfer income does not contribute to current flow of goods and services.

    A. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).

    B. Both assertion (A) and reason (R) are true and Reason (R) is not the correct explanation of Assertion (A).

    C. Assertion (A) is true but Reason (R) is false.

    D. Assertion (A) is false but Reason (R) is true

10   Assertion (A): $GDP_{MP} = NDP_{MP}$

Reason (R): NIT= 0

    A. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).

    B. Both assertion (A) and reason (R) are true and Reason (R) is not the correct explanation

of Assertion (A).

    C. Assertion (A) is true but Reason (R) is false.

    D. Assertion (A) is false but Reason (R) is true

11   Assertion (A): NDP_{FC} is the income earned by the factors of production in the form of wages, profits, rent, interest, etc. within the domestic territory of a country.

Reason (R): Domestic income generated in the production process within the domestic territory of the country gets distributed among the factors of production.

Alternatives:

    A. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)

    B. Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion

    C. Assertion (A) is true but Reason (R) is false.

    D. Assertion (A) is false but Reason (R) is true.

12   Assertion (A): Part of the output produced by a farmer and used for his own family consumption is not included under product method.

Reason (R): One of the ways to avoid double counting, is to take only value added instead of total output

Alternatives:

    A. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)

    B. Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion

    C. Assertion (A) is true but Reason (R) is false.

    D. Assertion (A) is false but Reason (R) is true.

13   Assertion (A): Gross Domestic Product (GDP) does not give us a clear indication of economic welfare of a country.

Reason (R): GDP may not take into account Non-monetary exchanges like services of housewife, Externalities i.e. benefits and harms which are caused due to economic activities and Distribution of income.

Alternatives:

    A. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)

B. Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion

C. Assertion (A) is true but Reason (R) is false.

D. Assertion (A) is false but Reason (R) is true.

14   Assertion (A) : Real GNP is used for making comparisons of international standards of living and rates of economic growth of various countries.

Reason(R): Nominal GNP may be increasing due to rise in price level, the quantity of goods and services produced may remain constant.

Alternatives:

A. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)

B. Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion

C. Assertion (A) is true but Reason (R) is false.

D. Assertion (A) is false but Reason (R) is true.

15   Assertion(A): Growing vegetables in a kitchen garden of the house is included in national income

Reason (R): It is difficult to estimate value of production as it is non market transaction

A. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).

B. Both assertion (A) and reason (R) are true and Reason (R) is not the correct explanation of Assertion (A).

C. Assertion (A) is true but Reason (R) is false.

D. Assertion (A) is false but Reason (R) is true

16   Assertion (A): The change of inventories of a firm during a year = production of the firm during the year- sale of the firm during the year.

Reason (R): Inventory is a stock variable.

    A. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).

    B. Both assertion (A) and reason (R) are true and Reason (R) is not the correct explanation of Assertion (A).

    C. Assertion (A) is true but Reason (R) is false.

    D. Assertion (A) is false but Reason (R) is true

17   Assertion (A) : Intermediate goods are not to be included in the national income

Reason (R) : value of only final goods should be added to determine the national income.

    A. Both assertion (A) and reason (R) are true and reason (R) is correct explanation of assertion (A)

    B. Both assertion (A) and reason (R) are true but reason (R) is not the correct explanation of assertion (A)

    C. Assertion (A) is true but reason (R) is false

    D. Assertion (A) is false but reason (R) is true

18   Assertion (A) :Nominal GDP always equals real GDP

Reason (R): national income at current price may give a misleading picture of economic performance

    A. Both assertion (A) and reason (R) are true and reason (R) is correct explanation of assertion (A)

    B. Both assertion (A) and reason (R) are true but reason (R) is not the correct explanation of assertion (A)

    C. Assertion (A) is true but reason (R) is false

    D. Assertion (A) is false but reason (R) is true

19   Assertion (A) :Net exports is a domestic concept

Reason (R) : NFIA is the difference between factor income received from rest of the world and factor income paid to the rest of the world.

    A. Both assertion (A) and reason (R) are true and reason (R) is correct explanation of

assertion (A)

    B. Both assertion (A) and reason (R) are true but reason (R) is not the correct explanation of assertion (A)

    C. Assertion (A) is true but reason (R) is false

    D. Assertion (A) is false but reason (R) is true

20   Assertion (A) : factor incomes are only earned incomes

Reason (R) : factor incomes do not include incomes which is not earned or for which a factor service has not been rendered.

    A. Both assertion (A) and reason (R) are true and reason (R) is correct explanation of assertion (A)

    B. Both assertion (A) and reason (R) are true but reason (R) is not the correct explanation of assertion (A)

    C. Assertion (A) is true but reason (R) is false

    D. Assertion (A) is false but reason (R) is true

21   Assertion (A) : transfer payments do not cause any value addition in the economy

Reason (R): retirement pension is an example of transfer payments

    A. Both assertion (A) and reason (R) are true and reason (R) is correct explanation of assertion (A)

    B. Both assertion (A) and reason (R) are true but reason (R) is not the correct explanation of assertion (A)

    C. Assertion (A) is true but reason (R) is false

    D. Assertion (A) is false but reason (R) is true

22   Assertion (A): An item that is meant for final use and will not pass through any more stages of production or transformations is called a final good

Reason (R): It will not undergo any further transformation at the hands of any producer, but many such final goods are transformed during their consumption

    A. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).

    B. Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion

    C. Assertion (A) is true but Reason (R) is false

    D. Assertion (A) is false but Reason (R) is true

KEY/ANSWER SHEET

1	2	3	4	5	6	7	8	9	10	11
C	A	A	D	C	D	B	D	A	C	A
12	13	14	15	16	17	18	19	20	21	22
D	A	A	D	B	B	D	B	A	C	B

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