



CHAPTER -11-NATIONAL INCOME AND RELATED AGGREGATES (BASIC CONCEPTS)

ASSERTION- REASON QUESTIONS

- | Sl.
No. | Questions |
|--------------------|---|
| 1. | <p>Statement (A): Real GDP is better indicator of economic growth than nominal GDP.
Reason (R): Real GDP eliminates the change in prices.</p> <p>(a) Both (A) and (R) true and (R) is correct explanation of (A).
(b) Both (A) and (R) true but (R) is not correct explanation of (A).
(c) (A) is true but (R) is false.
(d) (A) is false but (R) is true.</p> |
| 2. | <p>Statement (A): Higher level of GDP does not ensure higher level of social welfare.
Reason (R): Level of GDP does not focus on the composition and distribution of income.</p> <p>(a) Both (A) and (R) true and (R) is correct explanation of (A).
(b) Both (A) and (R) true but (R) is not correct explanation of (A).
(c) (A) is true but (R) is false.
(d) (A) is false but (R) is true.</p> |
| 3. | <p>Statement (A): GDP_{mp} is the sum total of market value of all final goods and services produced in the domestic territory during an accounting year.
Reason (R): GNP_{fc} is the sum total of market value of final goods and services produced by the normal residents of a country during an accounting year.</p> <p>(a) Both (A) and (R) true and (R) is correct explanation of (A).
(b) Both (A) and (R) true but (R) is not correct explanation of (A).
(c) (A) is true but (R) is false.
(d) (A) is false but (R) is true.</p> |
| 4. | <p>Statement (A): We can convert domestic income into national income.
Reason (R): Net indirect taxes are the difference between domestic income and national income.</p> |

- (a) Both (A) and (R) true and (R) is correct explanation of (A).
- (b) Both (A) and (R) true but (R) is not correct explanation of (A).
- (c) (A) is true but (R) is false.
- (d) (A) is false but (R) is true.

5. Statement (A): The concept of normal resident is important for national income estimation.

Reason (R): The concept of normal resident is different from the concept of citizen of a country.

- (a) Both (A) and (R) true and (R) is correct explanation of (A).

- (b) Both (A) and (R) true but (R) is not correct explanation of (A).
- (c) (A) is true but (R) is false.
- (d) (A) is false but (R) is true.

- 6 Assertion: Gross Domestic Capital Formation can be less than Gross Fixed Capital Formation.
Reason: Change in Stock is negative.
(A) Both Assertion and reason are true and reason is correct explanation of assertion.
(B) Assertion and reason both are true but reason is not the correct explanation of assertion.
(C) Assertion is true, reason is false.
(D) Assertion is false, reason is true.
- 7 Assertion: Government should increase its investment expenditure to increase GDP
Reason: Government should spend more on health infrastructure.
(A) Both Assertion and reason are true and reason is correct explanation of assertion.
(B) Assertion and reason both are true but reason is not the correct explanation of assertion.
(C) Assertion is true, reason is false.
(D) Assertion is false, reason is true.
- 8 Assertion: A change in taste and preference of Indian consumer towards MNCs and imported goods leads to decrease in GDP
Reason: expenditure on imports of goods is subtracted from final expenditure in order to estimate GDP.
(A) Both Assertion and reason are true and reason is correct explanation of assertion.
(B) Assertion and reason both are true but reason is not the correct explanation of assertion.
(C) Assertion is true, reason is false.
(D) Assertion is false, reason is true.
- 9 Assertion: Expansion of Indian industries abroad leads to increase in national income of the country.
Reason: Retained earnings of resident companies abroad is included in national income.
(A) Both Assertion and reason are true and reason is correct explanation of assertion.
(B) Assertion and reason both are true but reason is not the correct explanation of assertion.
(C) Assertion is true, reason is false.
(D) Assertion is false, reason is true.
- 10 Assertion (A) India's GDP is forecast to contract 5.9% in 2020 and recover to 3.9% next year, the UNCTAD report said.
Reason (R) India is experiencing impacts of worldwide deep recession amid a still unchecked pandemic.
(a) Both Assertion (A) and Reason (R) is true and Reason is correct explanation for Assertion (A)
(b) Both Assertion and Reason is true but Reason (R) is not the correct explanation for Assertion (A)
(c) Assertion is true but Reason is false

- (d) Assertion is false but Reason is true.
- 11 Assertion (A) GDP can never be greater than GNP
Reason (R) NFIA can never be negative
- Both Assertion (A) and Reason (R) is true and Reason is correct explanation for Assertion
 - Both Assertion (A) and Reason(R) is true, but Reason(R) is not correct explanation for Assertion(A)
 - Assertion is true but Reason is false
 - Assertion is false but Reason is true
- 12 Assertion (A) Goods that are ultimately consumed rather than used in the production of another good are known as final goods
Reason(R) Components sold to car manufacturer are type of final goods.
- Both assertion(A) and Reason (R) is true and Reason(R) is the correct explanation for Assertion (A)
 - Both Assertion and Reason is true but Reason is not correct explanation for Assertion.
 - Assertion(A) is true but Reason (R) is false.
 - Assertion is true but Reason is false
 - Assertion is false but reason is true
- 13 Assertion(A) Income from self-consumption is to be included in National Income.
Reason (R) A house owner living in his own house is assumed to be paying rent to himself for using up the factor services.
- Both Assertion (A) and Reason (R) is true and Reason (A) is the correct explanation for assertion (A)
 - Both Assertion (A) and Reason (R) is correct but Reason is not correct explanation for Assertion.
 - Assertion (A) is true but Reason (R) is false.
 - Assertion is false but Reason is true.
- 14 Assertion (A) The GNP is the value of goods and services produced annually in the Nation.
Reason(R) The most comprehensive measure of national output is the GNP.
- Both Assertion(A) and Reason (R) is true and Reason (R) is the correct explanation for Assertion (A)
 - Both assertion (A) and Reason (R) is true but Reason is not correct explanation for Assertion.
 - Assertions true but Reason is false.
 - Assertion is false but Reason is true.
- 15 **Assertion:** Factor income is bilateral income.
Reason: Factor income is earned for contributing to production process.
Alternatives:
- Both A and R are true but R is the correct explanation of A.
 - Both A and R are true but R is not correct explanation of A.
 - A is true but R is false.
 - A is false but R is true.

- 16 **Assertion:** Intermediate goods have direct demand.
Reason: The demand for intermediate goods depends on demand for final goods.
Alternatives:
A. Both A and R are true but R is the correct explanation of A.
B. Both A and R are true but R is not correct explanation of A.
C. A is true but R is false.
D. A is false but R is true.
- 17 **Assertion:** Transfer income is not included in the national income.
Reason: Transfer income is a unilateral concept.
Alternatives:
A. Both A and R are true but R is the correct explanation of A.
B. Both A and R are true but R is not correct explanation of A.
C. A is true but R is false.
D. A is false but R is true.
- 18 **Assertion:** Subsidy is transfer payment.
Reason: Subsidy contributes to current flow of goods and services.
Alternatives:
A. Both A and R are true but R is the correct explanation of A.
B. Both A and R are true but R is not correct explanation of A.
C. A is true but R is false.
D. A is false but R is true.
- 19 **Assertion:** Depreciation is also termed as Consumption of fixed capital .
Reason: Depreciation refers to that value of fixed capital which is used up in the process of production.
Alternatives:
A. Both A and R are true but R is the correct explanation of A.
B. Both A and R are true but R is not correct explanation of A.
C. A is true but R is false.
D. A is false but R is true.
- 20 Assertion : Intermediate goods have direct demand.
Reason: The demand for intermediate goods depend on demand for final goods.
(A) Both Assertion and reason are true and reason is correct explanation of assertion.
(B) Assertion and reason both are true but reason is not the correct explanation of assertion.
(C) Assertion is true, reason is false.
(D) Assertion is false, reason is true.
- 21 Assertion: Domestic income of a country can be more than its National income
Reason: Factor income paid abroad < Factor income received from abroad.
(A) Both Assertion and reason are true and reason is correct explanation of assertion.
(B) Assertion and reason both are true but reason is not the correct explanation of

assertion.

(C) Assertion is true, reason is false.

(D) Assertion is false, reason is true.

22 Assertion: A good that will not pass through any more stages of production or transformation is called a final good.

Reason: Value of final good is included in National Income.

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

(B) Assertion and reason both are true but reason is not the correct explanation of assertion.

(C) Assertion is true, reason is false.

(D) Assertion is false, reason is true.

23 Assertion: Nominal value is money value or value measured in terms of prices that prevail at the time of measurement.

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

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

(B) Assertion and reason both are true but reason is not the correct explanation of assertion.

(C) Assertion is true, reason is false.

(D) Assertion is false, reason is true

24 Assertion: GDP at MP can be equal to NDP at MP

Reason: $NIT = 0$

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

(B) Assertion and reason both are true but reason is not the correct explanation of assertion.

(C) Assertion is true, reason is false.

(D) Assertion is false, reason is true.

Assertion- Reason Answers

Sl. No.	Answers
1.	(a) Both (A) and (R) true and (R) is correct explanation of (A).
2.	(a) Both (A) and (R) true and (R) is correct explanation of (A).
3.	(c)(A) is true but (R) is false.
4.	(c)(A) is true but (R) is false.
5.	(b) Both (A) and (R) true but (R) is not correct explanation of (A).
6	(A) Both Assertion and reason are true and reason is correct explanation of assertion.
7	(B) Assertion and reason both are true but reason is not the correct explanation of assertion.
8	(A) Both Assertion and reason are true and reason is correct explanation of assertion.
9	(A) Both Assertion and reason are true and reason is correct explanation of assertion.
10	a
11	b
12	a
13	a
14	c
15	A. Both A and R are true but R is the correct explanation of A.
16	D. A is false but R is true.
17	B. Both A and R are true but R is not correct explanation of A.
18	C. A is true but R is false.
19	A. Both A and R are true but R is the correct explanation of A.
20	(D)
21	(C)
22	(B)
23	(B)
24	(C)

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