

Concepts Relating To Nat -Very Short(Reason-based)

Q. 1. Transfer payments are included in the estimation of national income.

Ans. False. Transfer payments are not included in the estimation of national income because transfer payments are unilateral payments. These are not related to factor services rendered by the residents of a country.

Q. 2. National income is the sum total of factor incomes earned by normal residents and non-residents of a country during the period of an accounting year.

Ans. False. National income is the sum total of factor incomes earned by the normal residents of a country during the period of an accounting year.

Q. 3. The Indian people employed in World Health Organisation located in India are non-residents of India.

Ans. False. The Indian people employed in World Health Organisation located in India are normal residents of India.

Q. 4. Income earned by foreigners working in branch of a foreign bank in India is a part of the domestic factor income of India.

Ans. True. This is because the branch of a foreign bank is located within the domestic territory of India.

Q. 5. Money received from sale of shares is included in domestic factor income.

Ans. False. Money received from sale of shares is not included in domestic factor income because sale and purchase of shares only causes change of ownership of financial assets. There is no value addition in terms of flow of goods and services in the economy.

Q. 6. Depreciation is added to gross domestic income to obtain national income

Ans. False. Depreciation is subtracted from gross domestic income to obtain national income.

Q. 7. Scholarship given by Government of India is included in national income of India.

Ans. False. Scholarship given by Government of India is not included in national income of India. Because, scholarship is a transfer payment.

Q. 8. Depreciation is the basis of difference between the domestic income and national income.

Ans. False. The basis of difference between the domestic income and national income is net factor income from abroad.

Q. 9. Domestic product can be more than national product.

Ans. True. When net factor income from abroad is negative, domestic product would be more than the national product.

Q. 10. Salaries to Indian residents working in German embassy in India is included in domestic income of India

Ans. False. Salaries to Indian residents working in German embassy in India is not included in domestic income of India, because German embassy in India is not a part of domestic territory of India.

Q. 11. Profits earned by a company in India, which is owned by a non-resident is included in national income of India.

Ans. True. Profits earned by a company in India, which is owned by a non-resident is a part of domestic factor income of India, because the company is generating profit within the domestic territory of India. Therefore, as a component of domestic income, it is included in national income of India.

Q. 12. National debt interest is included in national income of India.

Ans. False. National debt interest is not included in national income of India. Because it is treated as a transfer payment.

Q. 13. The salaries received by Indians working in branches of foreign banks in India is included in the estimation of domestic income.

Ans. True. Salaries received by Indians working in branches of foreign banks in India is a part of domestic income because these branches of foreign banks are located within the domestic territory of the country.

Q. 14. Factor income from abroad is a part of domestic factor income of India.

Ans. False. Factor income from abroad is not a part of domestic factor income of India, because it is not generated within the domestic territory of India.

Q. 15. Interest paid by banks to Rohit on his deposits is included in national income.

Ans. True. Interest paid by banks to Rohit on his deposits is included in national income because banks are expected to have used Rohit's saving for productive purpose.