

## **Some Basic Conc - R & U (Reason Based)**

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**Q. 1. Intermediate goods are included in the estimation of GDP.**

**Ans.** False. Because value of intermediate goods is only a part of the value of final goods and their inclusion leads to double counting. Therefore, only final goods are included in the estimation of GDP.

**Q. 2. LED TV is an example of semi-durable consumer goods.**

**Ans.** False. LED TV is an example of durable consumer goods. Because LED TV can be repeatedly used for several years and is of relatively high value.

**Q. 3. Value of intermediate goods is equal to the value of intermediate consumption.**

**Ans.** True. Value of intermediate goods is equal to the value of intermediate consumption. Because intermediate consumption refers to expenditure by the producers on the purchase of intermediate goods during an accounting year.

**Q. 4. All producer goods are capital goods.**

**Ans.** False. Producer goods are those goods which are used in the production of other goods. Capital goods only refer to fixed assets of the producers. Therefore, all producer goods are not capital goods.

**Q. 5. Private final consumption expenditure refers to consumption expenditure by the households.**

**Ans.** False. Private final consumption expenditure includes consumption expenditure by the households as well as non-profit private institutions.

**Q. 6. High fixed investment is a sign of growth and development.**

**Ans.** True. Because fixed investment indicates production capacity of a nation. Greater the addition to production capacity (fixed investment) higher the growth and development.

**Q. 7. Unexpected obsolescence is an element of depreciation.**

**Ans.** False. Only expected obsolescence is considered as an element of depreciation, not the unexpected obsolescence. Loss of value of fixed assets owing to unexpected obsolescence is called capital loss.

**Q. 8. A car purchased by a household is a final good.**

**Ans.** True. A car purchased by a household is a final good because the household is the final user of the car and no value is to be added to the car.

**Q. 9. Air conditioners purchased by a dealer are final goods.**

**Ans.** False. Air conditioners purchased by a dealer are intermediate goods because these are meant for resale.

**Q. 10. Chairs, fans, etc., purchased by a school are final goods.**

**Ans.** True. Chairs, fans, etc., purchased by a school are final goods because school is the final user of these goods and no value is to be added to these goods.

**Q. 11. Expenditure on maintenance of a machinery is an intermediate expenditure.**

**Ans.** True. Expenditure on maintenance of a machinery is an intermediate expenditure, as all expenditure on repair and maintenance (incurred by a firm) is treated as a part of intermediate consumption.