# Principles of Economics ( English Medium) - ICOM Part 1 Economics English Medium Chapter 11 Short Questions Preparation

Q1. Give three precautions of income method.

**Ans 1:** 1. Transfer payments such as gifts, pensions etc are not included in national income.
2. Income from illegal sources like smuggling, theft should not be included.
3. Amount of income tax and profit tax should be included in national income.

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Q2. Differentiate between money income and real income.

**Ans 1:** Money Income:
The money value of all final goods and services produced in a country during one year calculated at current is known as money income.
Real Income:
The total quantity of goods and services produced in a country during one year calculated at constant prices is known as real income.

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Q3. Write four factors which affect national income.

**Ans 1:** 1. Natural resources.
2. Effective human resources.
3. Means of transportation and communication.
4. Modern technology.

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Q4. Define transfer payments.

**Ans 1:** Those payments which are paid without any economic services known as transfer payments. For example scholarships, pensions, pocket money, Zakat and alms.

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Q5. Define Gross Domestic Product (GDP) and give its formula.

**Ans 1:** The total production of goods and services within the geographical boundaries of the country in a year is called gross domestic product (GDP).

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Q6. Name the methods to measure national income.

**Ans 1:** There are three methods of measurement of national income.
1. Product method / output method.
2. Income method.
3. Expenditure method.

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Q7. Equation of Gross National Product (GNP):

**Ans 1:** GNP = GDP + Income from abroad - Incomes of foreigners taken away

Q8. Define depreciation.

**Ans 1:** Depreciation means decreases in the value of capital assets with the passage of time.

Q9. What is corporate profit tax ?

**Ans 1:** Tax levied on joint stock companies profit is known as corporate profit tax.

Q10. Define disposable personal income and give its formula.

**Ans 1:** If we subtract direct taxes from personal income we get disposable personal income. It can be explained with the help of an equation.
DPI = Personal income - Direct Taxes