

Economics - ICom Part 2 Principles of Economics Chapter 1 Short Questions Preparation

Q1. Explain the meanings of Goss Domestic Product.

Ans 1: Total Market value of all final goods and services produced within a country during a year is called gross domestic product. Thus when we subtract foreign income from gross national product. We get gross domestic product. $GDP = GNP - F.I$

Q2. Define National Income in the word of Prof. Marshall.

Ans 1: Individuals in a country produce a certain quantity of goods and services using the resources of the country with the help of their capital. It is called national income.

Q3. Explain the concept of personal income.

Ans 1: It is the income which a person individually earns in a year. For example a laborer earns 10 lacs in a year, it is his personal income. Transfer payments and indirect taxes are included in personal income.

Q4. What are the various concepts of national income.

Ans 1: 1- Gross National product

Ans 2: 2- Net National product 3- Gross Domestic product

Ans 3: 4- National income 5- Personal Income 6- Per Capita income

Ans 4: 7- Disposable personal income

Q5. Write precautions of income method to measure national income.

Ans 1: 1- Earnings from unfair means should not be counted in national income.

Ans 2: 2- Transfer payments should not be included

Q6. Define National Income in the words of Prof Paul A Samuelsen.

Ans 1: It is the loose name we give for the money measure of the overall annual flow of goods and services in an economy.

Q7. What is meant by Average propensity to consume.

Ans 1: 1- Average propensity to consume

Ans 2: The ratio between consumption and income is called average propensity to consume. To find average propensity to consume consumption is divided by income average propensity to consume = Consumption/income

Q8. What is meant by Marginal propensity to save.

Ans 1: The ratio between change in saving and change in income is called marginal propensity to save. To find marginal propensity to save change in saving is divided by the change in income. It means.

Ans 2: Marginal propensity to save = change in saving / Change in income

Q9. Write four points of importance of study of national income.

Ans 1: 1- Helps to analyse the economic conditions.

Ans 2: 2- Helps to examine the economic growth rate of the country.

Ans 3: 3- Helps to analyse the economic problems

Ans 4: 4- Helps in framing economic policies

Q10. Difference between real national income and nominal national income.

Ans 1: Real national income means total quantity of goods and services produced in a country. Therefore, real national income increases with the increase in the quantity of goods and services in the country while nominal national income means monetary value of goods and services at the market prices.
