

Economics - ICS Part 2 Economics English Medium Chapter 1 Online Short Questions Test

Q1. Write five factors of national income.

Ans 1: 1 National resources

Ans 2: 2- Man made resources

Ans 3: 3- Human resources

Ans 4: 4- Capital goods

Ans 5: 5- Technical know how

Q2. 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 = $\text{Consumption} / \text{Income}$

Q3. Differentiate between personal income and disposable personal income

Ans 1: Personal income is the income which a person individual earns in a year. After subtracting direct taxes from personal income, disposable personal income is obtained.

Q4. Explain the concept of National Income.

Ans 1: If indirect taxes are subtracted from Net National product and subsidies are added in N.N.P get National income. It is the income which is the aggregate of net rewards of four factors of production e.g. rents + wages + interest + profits

Ans 2: National income = Net national product - indirect taxes + Subsidies

Q5. Who did present the concept of equilibrium level of National income

Ans 1: Prof. J.M. Keynes presented the concept of equilibrium level of national income in 1936 in his famous book "General theory of employment, interest and money".

Q6. 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

Q7. Define National Income in the words of Prof. Ackley Gardner.

Ans 1: Individual income is the amount of his earning from the productive services currently rendered by him or by his property. National income is nothing more than the sum of all the individual incomes.

Q8. What is meant by transfer payments.

Ans 1: Transfer payments are the amounts of money which a person gets without labour. These are donations, alms, pension, unemployment allowance, scholarship and gifts etc.

Q9. Explain the meanings of Gross 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. $GDP = GNP - F.I$

Q10. What is meant by Marginal propensity to consume.

Ans 1: Marginal propensity to consume

Ans 2: The ratio between change in consumption and change in income is called marginal propensity to consume. To find Marginal propensity to consume, change in consumption is divided by the change in income.
