

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

Q1. 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

Q2. What is meant by average propensity to save.

Ans 1: The ratio between saving and income is called average propensity to save. To find average propensity to save, saving is divided by income.

Ans 2: $APS = S/Y$

Q3. Write the methods to measure national income.

Ans 1: 1- Product Method

Ans 2: 2- Income Method

Ans 3: 3- Expenditure method

Q4. 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. $GDP = GNP - F.I$

Q5. 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.

Q6. Define Gross National product.

Ans 1: Gross National product of a country is the total market value of all final goods and services produced during a period of one year. All agricultural goods, industries goods, mineral goods and services of individuals, government and semi government

institutions are included in it.

Q7. Differentiate between personal income and disposable personal income

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

Q8. What is meant by Marginal propensity to save.

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

Ans 2: Marginal propensity to save = chang in saving / Change iincome

Q9. Difference between real national income and nominal national income.

Ans 1: Real national income menas total quantity of goods and services produced in a country. Therefore, real national incmoe increases with the increasses 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.

Q10. Define National Income in the words of Prof. Fisher.

Ans 1: Quantity of goods and services which is consumed during a year is called national income.
