

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

Q1. 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.

Q2. Write precautions of the product method to measure national Income.

Ans 1: 1- Avoid double counting. 2- Subtract depreciation allowance.

Ans 2: 3- Subtract indirect taxes.
4- Value of free services should not be counted.

Ans 3: 5- Subsidies should be counted.

Q3. Differentiate between personal income and disposable personal income

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

Q4. Explain meanings of Net National product.

Ans 1: If we subtract depreciation allowance or replacement cost of machines from gross national product, we get net national product.

Ans 2: Net National product = Gross national product - Depreciation allowance.

Q5. What is meant by Depreciation allowance.

Ans 1: We use machines and tools to manufacture goods. These machines often break down during the year owing to wear and tear. We have to repair these machines. The expenditures made on their repair are called depreciation allowance.

Q6. Explain the concept of personal income.

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

Q7. When does national income increase.

Ans 1: National income increases when the quantity of goods and services is increasing in the country.

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. 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.

Q10. 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
