Answer Key for CBT XII Economics. April 2024

1. **Select the right option which is used for measuring the National Income**
   Answer: **D is correct because** The different methods of measuring National Income includes Income Method, Production (Value-Added) Method and Expenditure Method.
   The income method of calculating national income takes into account the income generated from the basic factors of production. These include the land, labor, capital, and organization. And in addition to income accrued from these factors of production, another important component of income is mixed income.
   National Income = Rent + Compensation + Interest + Profit + Mixed income
   Consumption expenditure includes household consumption of goods and services (C). It also includes government's expenditure on goods and services to fulfill social welfare needs (G). Investment expenditure refers to the expenditure made by companies and production units for raising capital (I). For instance, investment expenditure includes the purchase of fixed capital assets such as buildings and equipment. Expenditure also includes an addition to the stock of raw materials.
2. **Which organisation is accountable for calculating the Gross Domestic Product of India?**
   Answer : C is correct. The correct answer is the Central Statistics Office. The Central Statistics Office (CSO), under the Ministry of Statistics and Program Implementation, is responsible for calculating the GDP of India, macroeconomic data gathering, and statistical record keeping
3. **What is Gross Domestic Product?**
   Answer : D is correct. Gross domestic product (GDP) is the standard measure of the value added created through the production of goods and services in a country during a certain period. As such, it also measures the income earned from that production, or the total amount spent on final goods and services (less imports).
4. **Which one of the following options is not an example of indirect tax?**
   Answer: B is correct. An indirect tax is collected by one entity in the supply chain, such as a manufacturer or retailer, and paid to the government. However, the tax is passed onto the consumer by the manufacturer or retailer as part of the purchase price of a good or service. The consumer is ultimately paying the tax by paying more for the product.
5. **What happens during inflation?**
   Answer: C is correct. In an inflationary environment, unevenly rising prices inevitably reduce the purchasing power of some consumers, and this erosion of real income is the single biggest cost of inflation. Inflation can also distort purchasing power over time for recipients and payers of fixed interest rates.
6. **Who measured the first National Income of India?**
   Answer: A is correct. Dadabhai Naoroji, fondly called the Grand Old Man of India, was the pioneer in this field. He prepared the first estimates of National income in 1876. He estimated the national income by first estimating the value of agricultural production and then adding a certain percentage as non-agricultural production.

7. **Which of the following statements describes the National Income?**
   Answer: B is correct answer because National Income refers to the value of different services and goods produced by a country in a particular year. It is basically the result of all the economic activities occurring in the country throughout the year.
8. **The short form of ITR associated with Income Tax stands for what?**
   Answer: A is correct answer. Income tax return is a form which is filed with the taxing authority. It reports income, expenses, and other relevant tax information. Tax
9. **From which sector does India receives the highest share of GDP?**
   Answer: C is correct answer. Because the service sector in India now accounts for more than 50% of GDP.
10. **The term transfer payments, which are referred to as payments, are made**
    Answer: B is correct. because Transfer payments refers to payments, which are made without any exchange of goods and services and these payments are never included in national income. These are one sided or unilateral