



ECONOMICS

BOOKS - SANDEEP GARG ECONOMICS (HINGLISH)

BASIC CONCEPTS OF MACROECONOMICS

Higher Order Thinking Skills Questions

1. Classify the following as factor income or transfer income.

- (i) Unemployment allowances.
- (ii) Salary received by Rakesh from a company.
- (iii) Financial help to earthquake victims.
- (iv) Compensation received from the employer.
- (v) Claim received from insurance company by an injured worker.
- (vi) Birthday gift received from a friend.
- (vii) Bonus received on Diwali.



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2. Classify the following as final goods or intermediate goods.

(i) Machine purchased by a firm.

(ii) Soft drinks purchased by the school canteen.

(iii) Clothes purchased by an individual.

(iv) Coal purchased by a factory.

(v) Electricity consumption in a business.

(vi) Book purchased by a student .

(vii) Books purchased by a book seller.

(viii) Postage stamps purchased by a consumer.

(ix) Postage stamps purchased by a business unit.

(x) Exhaust fans used for making water coolers.

(xi) Seeds purchased by a farmer to produce wheat.

(xii) Seeds purchased for kitchen gardening .

(xiii) Machines purchased by a dealer of machines.

(xv) Sewing machine purchased by a housewife.



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3. What is meant by factor income to abroad ?

State its components.



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4. Which among the following are capital goods and which are consumer goods (or consumption goods) and why ?

(a) A car used as a taxi

(b) Refrigerator in a hotel

(c) Air-conditioner in a house





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5. Which among the following are final goods and which are intermediate goods ? Give reasons.

(a) Milk purchased by a tea stall.

(b) Bus purchased by a school.

(c) Juice purchased by a student from the school canteen.



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True And False

1. Are the following statements true or false ?

Give reasons.

Intermediate goods have a derived demand ,
while final goods have direct demand.



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2. Are the following statements true or false ?

Give reasons.

Bread is always a consumer good.



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3. Are the following statements true or false ?

Give reasons.

Gross investment can be equal to net investment .



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4. Are the following statements true or false ?

Give reasons.

Market price is always more than factor cost.



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5. Are the following statements true or false ?

Give reasons.

A good can be intermediary good in one case and a final good in another case.



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6. Are the following statements true or false ?

Give reasons.

The concept of normal resident applies to individuals only.



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7. Are the following statements true or false ?

Give reasons.

In final goods , no value is to be added .



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8. Are the following statements true or false ?

Give reasons.

Butter is only a final product.



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9. Are the following statements true or false ?

Give reasons.

End - use of the goods categorise the goods as intermediate goods and final goods.



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10. Are the following statements true or false ?

Give reasons.

Final goods include only those goods which are consumed by the households.



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11. Are the following statements true or false ?

Give reasons.

Both 'Expected Obsolescence' and

'Unexpected Obsolescence' are considered for determining the amount of depreciation.



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12. Are the following statements true or false ?

Give reasons.

National Income is always more than the Domestic Income .



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13. Are the following statements true or false ?

Give reasons.

All purchased by a production unit from other production units are intermediate products.



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Revision Exercise Multiple Choice Questions

1. Which of the following are covered under the domestic territory of India ?

A. State Bank of India in London

B. Google office in India

C. Office of Tata Motors in Australia

D. Russian Embassy in India

Answer: B



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2. Which one of the following is an intermediate product ?

A. Purchase of pulses by consumers

B. Machine purchased by a firm

C. Wheat used by a flour mill

D. Wheat used by households

Answer: C



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3. Which one of the following is not an example of final goods ?

A. Chalk, dusters, etc. purchased by a school

B. Fertilizers used by the farmers

C. Wheat used by a flour mill

D. All of the above

Answer: A::B::C::D



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4. Which of the following constitute the reason for difference between Market Prices and Factor Cost ?

A. Indirect Taxes

B. Subsidies

C. Both (a) and (b)

D. Neither (a) nor (b)

Answer: C



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5. If factor cost is greater than market price ,
then it means that :

A. Indirect Taxes $>$ Subsidies

B. Indirect Taxes = Subsidies

C. Indirect Taxes $<$ Subsidies

D. Indirect Taxes \geq subsidies

Answer: C



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6. Final goods refer to those goods which are used either for _____ or for _____.

A. Consumption , investment

B. Consumption , resale

C. Resale , investment

D. Resale , further production

Answer: A::B::D



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7. Net factor income from abroad is :

A. Exports minus Imports

B. Visible Exports minus Visible Imports

C. Factor incomes received from abroad
minus factor incomes paid abroad

D. Factor incomes received from abroad

Answer: C



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8. Depreciation means :

- A. Destruction of a plant in a fire accident
- B. Loss of fixed assets over time due to wear and tear
- C. Loss of fixed assets in an earthquake
- D. Closure of the plant due to lock out

Answer: B



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9. Market price and Factor cost will be equal

when there is :

A. No direct tax

B. No indirect tax

C. No subsidy

D. No direct tax and no subsidy

Answer: A::B::C::D



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10. Which of the following is an example of transfer income ?

A. Bonus

B. Unemployment Allowance

C. Compensation from the employer

D. All of the above

Answer: B



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11. Which of the following is an example of an intermediate goods ?

A. Car sold by a dealer of second hand cars

B. Steel and cement used to construct a flyover

C. Fertilizers purchased by a farmer

D. All the these

Answer: A::B::C::D



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12. Sugar purchased by a Sweet shop is an _____ good , while is a _____ good when it is purchased by a consumer .

- A. capital , final
- B. final , intermediate
- C. intermediate , final
- D. final , producer

Answer: C



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13. Identify the missing item in the following flowchart :



A. Depreciation

B. Net Indirect Taxes

C. Net Factor Income from Abroad

D. Indirect Taxes

Answer: B



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14. Which of the following flowchart correctly establishes the treatment of 'Depreciation'?

A. 

B. 

C. 

D. 

Answer: A::B::D



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15. Depreciation of fixed capital assets refers to :

A. Normal wear and tear

B. Foreseen obsolescence

C. Normal wear & tear & foreseen
obsolescence

D. Unforeseen obsolescence

Answer: C



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16. Unforeseen obsolescence of fixed capital assets during production is :

- A. Consumption of Fixed Capital
- B. Capital Loss
- C. Income Loss
- D. None of the above

Answer: B



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17. Refrigerator purchased by a confectionery shop is an example of :

- A. Final Good
- B. Intermediate Good
- C. Capital Good
- D. Both (a) and (c)

Answer: A::B::C::D



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18. Which of the following is an example of Non-durable good ?

A. Milk

B. Bread

C. Both (a) and (b)

D. Clothes

Answer: C



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19. Addition to the capital stock of an economy is termed as :

A. Investment

B. Capital Loss

C. Consumption of Fixed Capital

D. All of these

Answer: A::B::D



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20. Japanese Embassy in India is a part of domestic territory of :

A. India

B. Japan

C. Both (a) and (b)

D. International Area

Answer: B



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21. Foreign embassies in India are a part of India's :(Choose the correct alternative)

- A. Economic territory
- B. Geographical territory
- C. Both (a) and (b)
- D. None of the above

Answer: B



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22. Goods purchased for the following purpose are final goods : (choose the correct alternative)

A. For satisfaction of wants

B. For investment in firm

C. Both (a) and (b)

D. None of the above

Answer: C



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Very Short Answer Type Questions

1. Give the meaning of factor income .



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2. What is meant by transfer income ?



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3. Out of factor income and transfer income ,
which one is included in the national income ?



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4. Define current transfers.



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5. Define final goods.



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6. What is meant by intermediate goods ?

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7. Can purchase of a new car be categorised as an intermediate good?

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8. Define consumption goods ?



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9. Define capital goods .



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10. What is meant by Net factor income from abroad ?



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11. Give an example of a person who is staying abroad for a period more than one year and still he is treated as normal resident of India .



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12. Define 'depreciation'.

OR

What is meant by 'Consumption of fixed capital'?



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13. Define capital formation .

OR

Define investment .



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14. Define Gross investment .



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15. Give two examples of intermediate goods .



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16. Define 'resident '?



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17. What are 'subsidies'?



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Short Answer Type Questions

1. Distinguish between factor income and transfer receipt.



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2. Distinguish between intermediate products and final products . Give examples.

OR

Explain the basic of classifying goods into

intermediate and final goods . Give suitable examples.



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3. Machine ' purchased is always a final good ,
Do you agree ? Give reasons for your answer.



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4. Which of the following expenditures incurred are on intermediate products and

which are on final products ? You must state reason for your answer :

(i) Purchase of ticket for train journey by an individual .

(ii) Purchase of eatables by a firm.

(iii) Purchase of a car by an employer for office use by his employees.

Hint : Intermediate Products : (ii) , Final Products : (i) , (iii)/



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5. Discuss the meaning of consumption goods and capital goods.



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6. Distinguish between consumer goods and capital goods . Which of these are final goods ?



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7. What is meant by net factor income from abroad ? Briefly discuss its various components .



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8. Define intermediate goods and final goods .
Can milk be an intermediate good ? Give reasons for your answer.

Hint for 2nd Part : Milk purchased by a

restaurant is intermediate good because it is purchased for reselling.



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9. Distinguish between : (a) Final good and intermediate good , (b) Consumption good and capital good.



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10. What are capital goods ? How are they different from consumption goods ?



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Long Answer Type Questions

1. Explain the concept of normal residents.



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2. Briefly discuss the meaning of domestic territory.



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3. Discuss the concept of factor income and transfer income with the help of examples.



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4. Distinguish between Intermediate product and final product , giving suitable examples in support of your answer.



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