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CBSE XII
Economics
Most Important Questions - Solutions

Note:

- Questions in this document have been created based on analyses of previous years' board papers.
- Solutions can be used as a guideline to enable students to prepare effectively and to help them score more marks.
- Please write the answers in your exams as per the question and the marks allotted.
- Answers provided here will also help you answer objective-based questions.

INDIAN ECONOMIC DEVELOPMENT

Development Experience (1947-90)

1. When was the Planning Commission set up? Who was its Chairperson? **[1 M]**

Suggested Answer:
The Planning Commission was set up in **1950** with the **Prime Minister** as the Chairperson.

2. Name the committee that emphasised the role of small-scale industries in promoting rural development. What was the committee also known as? **[1 M]**

Suggested Answer:
In 1955, the **Karve Committee** emphasised the possibility of using SSI for promoting rural development. It was also called the Village and Small-Scale Industries Committee.

3. Who was Professor PC Mahalanobis? What was his contribution? **[1 M]**

Suggested Answer:
Professor PC Mahalanobis contributed to the formulation of our five-year plan. He is regarded as the Architect of Indian Planning.

4. Name the two measures undertaken to promote growth in the agricultural sector during economic reforms. **[1 M]**

Suggested Answer:
Land Reforms and the Green Revolution

5. Name some notable economists who estimated India's per capita income during the colonial period. **[1 M]**

Suggested Answer:
Dadabhai Naoroji, William Digby, Findlay Shirras, V.K.R.V. Rao and R.C. Desai

6. Mention the period covered by the First Five-Year Plan. **[1 M]**

Suggested Answer:
The First Five-Year Plan covered the period from 1st April 1951 to 31st March 1956.

7. Explain the following concepts: **[1 M]**
a) Land ceiling
b) Land reforms
c) Marketed surplus

Suggested Answer:
a) Land ceiling is the fixing of the maximum limit of land holding for an individual.
b) Land reforms are reforms which sought to change the ownership of land such that the land was to be owned by tillers.
c) Marketed surplus is the portion of agricultural produce which is not used for consumption and is sold in the market.

8. What was the primary motive behind the economic policies pursued under the colonial government in India? **[1 M]**

Suggested Answer:
- The colonial government introduced economic policies which were beneficial and promoted the interest of their own country rather than those for the development of the Indian economy.
- These policies resulted in **India being a supplier of raw materials to Britain, and in turn, a consumer of finished goods from Britain.**

9. What was the most important contribution made by the British to India? **[1 M]**

Suggested Answer:
The British introduced the **railways** in India in 1850, and it is considered one of their most important contributions.

10. When was the first census of India taken? **[1 M]**

Suggested Answer:
Details about the population of British India were first collected through a census in **1881**.

11. How did the construction of the railways affect the structure of the Indian economy? **[3 M]**

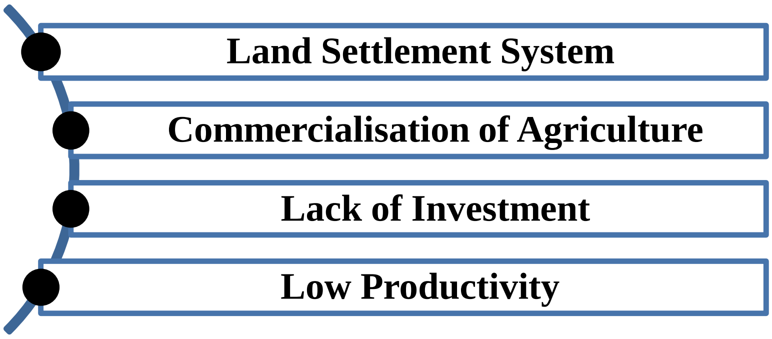
Suggested Answer:

- It enabled people to undertake long distance travel and thereby **break geographical and cultural barriers.**
- It **promoted commercialisation of Indian agriculture** which adversely affected the self-sufficiency of the village economies in India.
- **Famines were controlled** as food supplies could reach people faster across different parts of the country.

12. Explain the factors responsible for the stagnation of India's agricultural sector under the British colonial rule. **[4/6 M]**

Suggested Answer:

Under the British colonial rule, India was fundamentally an agrarian economy and nearly 85% of its population lived in its villages. However, despite providing occupation to the majority of the population, the Indian agricultural sector continued to experience



stagnation. Some of the major factors responsible for this stagnation were

i. **Land Settlement System:** This system introduced by the colonial government was known as the zamindari system.
Under the zamindari system, the profits which were generated went to the zamindars instead of the cultivators. Also, zamindars had fixed dates for depositing of a specific sum of revenue to the government. If the zamindars failed to pay by these dates, they would lose their rights. Thus, the zamindars would frequently raise the rates and exploit farmers.

ii. **Commercialisation of Agriculture:** Commercialisation of agriculture means the shift from cultivation for self-consumption to cultivation for the market. Here, farmers were forced to sell their produce in the market.
Farmers were forced to produce cash crops which were used by British industries.

iii. **Low Productivity:** Low levels of technology, lack of basic irrigation facilities, use of low quality and negligible fertilisers affected agricultural productivity. The cultivators had no money or incentive to invest in agriculture.

iv. **Lack of Investment:** India's agricultural sector faced scarcity of investment. The zamindars and the colonial government did nothing to improve the agricultural sector. The farmers neither had the money, technology nor incentive to invest in agriculture.

13. 'The Indian economy had been exploited under the British rule'. Highlight the state of the Indian economy in the pre-independence period. **[6 M]**

Suggested Answer:

At the time of independence, the state of the Indian economy was stagnant, backward and faced massive poverty.

The state of the Indian economy during pre-independence can be summarised as follows:

i. **Agricultural sector:** The agricultural sector which was the chief source of livelihood suffered from surplus labour and low productivity. Farmers were exploited by the zamindars.

ii. **Handicraft industry:** The world famous handicraft industry of India was destroyed and this created massive unemployment. Although modern industry growth began, growth was slow and restricted in production.

iii. **Industrial sector:** The industrial sector lacked capital goods industries and modernisation.

iv. **Role of the public sector:** The role of the public sector was restricted to certain areas such as power generation, railways and ports. Direct participation was required by the government for the growth of the Indian economy.

v. **Foreign trade:** It was directed towards the industrial development in Britain.

vi. India became a mere exporter of raw materials, and in turn, an importer of finished goods from Britain. This affected the locally made goods, and the demand for imports increased.

vii. **State of infrastructure:** The infrastructural development which was undertaken by the colonial government such as the railways and the Suez Canal was merely made to exploit the Indian economy. Raw materials could easily be transported to Britain, and finished goods from Britain could easily be transported to India.

viii. **Demographic summary:** Indians suffered from high mortality rates and low life expectancy, which indicated that backwardness and widespread poverty existed in India at that time.

14. Briefly discuss the state of India's foreign trade at the time of independence. **[3/4 M]**

Suggested Answer:

Discriminatory policies of trade, production and tariff adversely affected the volume, composition and structure of India's foreign trade.

- **Exporter of raw materials and importer of finished goods**
  India was very well known as an exporter for finished products such as fine cotton, precious stones, silk and textiles.
  But the policies turned India into an exporter of raw materials such as wool, sugar, indigo, raw silk and an importer of finished products such as woollen clothes and machinery which had been produced in Britain.
- **Monopoly power over India's foreign trade**
  Since India was ruled by the British, the British government had maintained a monopoly over India's foreign trade. This resulted in more than half of India's foreign trade being restricted to Britain, while the rest was with a few countries like China, Sri Lanka and Iran.
- **Use of India's export surplus**
  Under the colonial period, India had a surplus balance of trade where its exports had exceeded its imports. However, this trade surplus did not benefit India in any way. It

was basically used for administrative purposes, to make payments for the wars fought by the British government and for the import of invisible items. This resulted in a huge drain of wealth from India.

15. 'A plan should have some specific goals that need to be achieved.' With reference to the statement, answer the following questions. **[3 x 3 = 6 M]**

a) State the goals of the Five-Year Plans that was adopted by India.

b) Analyse the interdependence of the goals of the Five-Year Plans.

Suggested Answer:

a) India adopted the Five-Year Plan with the following goals:

GROWTH

✓ To increase the country's capacity to produce goods and services

MODERNISATION

✓ To adopt new technology which will increase the production of goods and services and bring about a change in societal norms and thinking

EQUITY

✓ To ensure that the economic benefits of the country reach all sections of the people of the country

SELF-RELIANCE

✓ To achieve the objectives of economic growth and modernisation if a country can utilise its own resources and reduce its imports

b) The interdependence of goals can be explained as follows:

GROWTH

Is the increase in the country's capacity to produce goods. To increase the production of goods and services in the country what is required is new and efficient technology, which is modernisation.

MODERNISATION

Adopting new technology which will increase the production of goods and services and bring a change in societal norms indicates modernisation and promotes growth.

SELF-RELIANCE

A nation can promote growth and modernisation by utilising its own resources rather than importing them. This indicates the goal of self-reliance.

EQUITY

Economic growth, modernisation and self-reliance alone cannot improve the lives of people of the country. The benefits or outcomes of these goals reach the people and are achieved with the goal of equity.

16. 'Stagnation of the agricultural sector was broken by the Green Revolution.' Highlight the achievements and failures of the Green Revolution on the Indian economy. **[6 M]**

Suggested Answer:

Achievements of the Green Revolution	Failures of the Green Revolution
Rise in commercial farming ✓ Due to an increase in agricultural produce, cultivation shifted from subsistence farming to commercial farming, i.e. produce for sale in the market.	**Limited to few crops** ✓ The Green Revolution was limited to production of wheat and rice only. It did not cover cultivation of pulses, cotton, jute etc.
Created employment opportunities ✓ The problem of seasonal unemployment was tackled because farmers grew multiple crops on a piece of land.	**Limited coverage** ✓ States such as Punjab, Tamil Nadu, Maharashtra and few others practised and benefited from the Green Revolution, thus resulting in regional inequalities.

Buffer stock of food grains ✓ The Green Revolution enabled the government to build their stock of food grains which could be used at the time of food shortage.	**Inequality among farmers** ✓ Since only the big and rich farmers could afford the required inputs, they benefited from the new technology. This led to inequality among farmers.
Benefited low-income groups ✓ Since farmers started selling their surplus produce in the markets, their prices declined, and in this way, low-income groups (which spend most of their income on consumption) benefited from the low prices.	**Affected the environment** ✓ The Green Revolution was associated with the loss of soil fertility due to increased use of chemical fertilisers.

17. Bring out the principal elements of the Industrial Policy 1956 which was adopted by India. **[4 M]**

Suggested Answer:

In accordance with the state playing the central role in managing the economy, the Industrial Policy Resolution (IPR) 1956 was adopted. The principal elements of IPR 1956 are as follows:

Elements	Explanation for Each Element
1. Classification of industries:	According to IPR 1956, industries were classified into three categories: **Schedule A:** ✓ Industries exclusively owned by the state. **Schedule B:** ✓ The state would take the initiative of setting up industries, and the private sector will supplement the work done by the state. **Schedule C:** ✓ Comprises the remaining industries which were to be in the private sector.
2. Industrial licencing:	✓ The government had to issue a licence for a) Setting up of new industries b) Expansion of existing industries c) Diversification of products ✓ The government also provided liberal licences to private industries who established their industries in backward regions. This was done to promote regional equality.
3. Industrial concession:	✓ While the government played a leading role in the industrialisation process, private entrepreneurs were given concessions and incentives for establishing their industries in the backward regions. ✓ Such concessions were tax exemptions, subsidies on power supply etc.

18. How are economies classified in an economic system? **[3 M]**

Suggested Answer:

There are three types of economic systems:

i. **Capitalist economy:**
- Consumers and producers are the two vital elements of an economy. In case of a capitalist economy, individuals are free to own and control their economic resources.
- Everyone is independent to choose her or his own business, profession and occupation. A capitalist economy is also known as a free-trade economy.

ii. **Socialist economy:**
- A socialist economy is an economy in which all important decisions are taken by the government. Economic resources are owned by society, and they are used in public interest.
- Individuals in a socialist economy do not have the right to own private properties. The economy is managed and controlled by the Planning Commission as the central authority. There is least inequality of income.

iii. **Mixed economy:**
- A mixed economy is the mixed form of socialist and capitalist economy. Certain economic activities are fully owned and controlled by the government.
- Both private and public sectors co-exist in the economy. India has adopted the mixed economy.

19. What is the objective behind the policy of 'land to the tiller'? How would it benefit cultivators? **[3 M]**

Suggested Answer:

Objective:

To give ownership of the land to the cultivators and abolish intermediaries (zamindars).

Benefit:
- This would encourage them to take more interest, and they would have an incentive to increase their output and thereby make profits.
- Tillers would also be driven to make improvements in terms of the inputs required for production provided sufficient capital was made available.
- This would increase agricultural output and contribute to the growth in agriculture.

20. Explain how the policy of import substitution protects domestic industries. Why do countries adopt this strategy? **[4 M]**

Suggested Answer:
- The strategy of reducing or substituting imports with domestic production is known as import substitution.

- **Example:** Instead of importing automobile parts from Germany, we can encourage producers to produce these parts domestically. This is import substitution.
- The **main idea** behind adopting this strategy is to protect domestic industries from foreign competition as they are not in a position to compete with large foreign companies and the goods produced by them. Hence, the government gives them protection through this strategy. Also, it is assumed that if domestic industries are given protection at the infant stage, they will gain strength and then be able to compete in the market.
- The government adopts the policy of import substitution and protects domestic industries in two ways:
  a) **Tariffs:** Tax on imported goods makes them expensive and thus discourages imports.
  b) **Quotas:** Specifies the quantity of goods which can be imported.

21. Explain 'Growth with Equity' as a planning objective. **[3 M]**

Suggested Answer:

- While framing its plan India focused on achieving certain goals such as Growth, Equity, Modernisation and Self-reliance. Among them the objective of 'growth with equity' as a planning objective was important.
- *Economic growth* implies an increase in the country's capacity to produce more goods and services. This growth is indicated by the increase in GDP of the country.
- According to the goal of *equity*, every Indian should be able to meet his/her basic needs, inequality should be reduced and that the benefits of economic prosperity should reach all sections of the society.
- Therefore only achieving the objective of economic growth alone will not be beneficial to the country, it is only the benefits of it is spread across the country to every section it will lead to social welfare.

Keeping this in mind, the objective of 'growth with equity' becomes very important in planning.

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MACROECONOMICS

National Income and its Related Aggregates

1. In India, the task of estimating national income is entrusted to the ___________. **[1 M]**

Suggested Answer:
Central Statistical Organisation

2. Give one example of externality which reduces the welfare of people. **[1 M]**

Suggested Answer:
Emissions from automobiles contribute significantly to global warming. This leads to poor air quality and it contributes to significant health problems. People who breathe in this polluted air are at a higher risk of asthma and damage to the reproductive system. Thus, it affects the health of people, which in turn reduces the welfare of people and the nation.

3. Explain the following concepts: **[1 M]**

a) Depreciation
b) Consumption goods
c) Intermediate goods
d) Final goods
e) Capital goods

Suggested Answer:

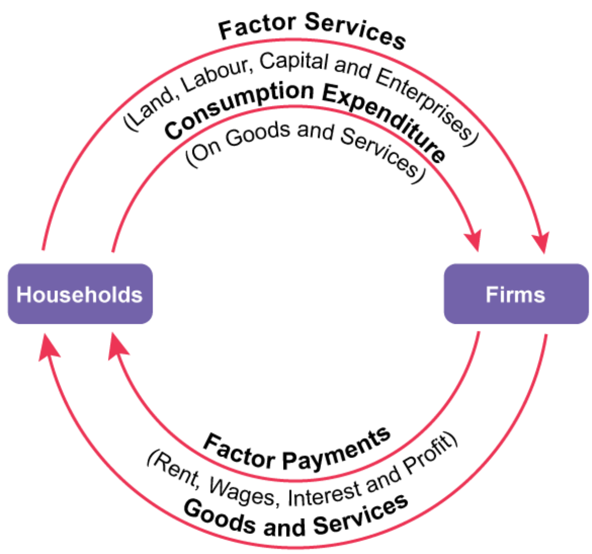
Concept	Meaning
Depreciation	It is the loss of value of fixed assets in use due to normal wear and tear, normal rate of accidental damage and expected or foreseen obsolescence. It is also called consumption of fixed capital.
Consumption goods	Goods purchased by consumers for satisfying their wants directly (such as car, refrigerator, bread, vegetables) for their own use but not for any business motive.
Intermediate goods	Goods which are within the boundary line of production and are not available for use by final users. A value is yet to be added to these goods.
Final goods	Goods which will not pass any more stages of the production process and are ready for use by final users. Consumers and producers are final users.
Capital goods	Goods which are utilised in the production process for many years and are of high value. These goods are fixed assets of the producers.

4. Explain the circular flow of income in a two-sector economy. **[3 M]**

[Modified question asked in 2017]

Suggested Answer:

We can understand the circular flow of income with the following diagram:



- Two sectors: Firms and households
- Firms produce goods and services with the help of factor services provided by households.
- Factor payments (income) are made to firms for their services rendered.
- This income is spent in the form of consumption expenditure on goods and services produced by firms.

  This is the circular flow of income in a two-sector economy.

5. Distinguish between stock and flows with examples. **[3/4 M]**
[Modified question asked in 2016, 2017, 2019]

Suggested Answer:

Stock	Flow
Stock is a variable which is measured at a particular time.	Flow is a variable which is measured over a long period of time.
Stock is static.	Flow is dynamic.
Time dimension is not applied to the stock concept.	Time dimension is applied to the flow concept.
Examples: National wealth and bank deposits	Examples: National income and interest on capital

6. Explain the classification of goods into final and intermediate goods with examples. **[3M]**
[Modified question asked in 2017, 2018, and 2019]

Suggested Answer:

Final Goods	Intermediate Goods
Goods which are used either for consumption or investment.	Goods which are used either undergo further production or are used for resale.
Goods which will not pass any more stages of the production process and are ready for use by their final users.	Goods which are within the boundary line of production. They are not available for use by their final users and the value is yet to be added to these goods.
Value of intermediate goods is merged with the value of final goods. Thus, only the value of the final good is included when estimating national income.	Value of intermediate good is not included in the estimation of national income.
Example: Furniture purchased by a school	Example: Paper purchased by a newspaper printing agency

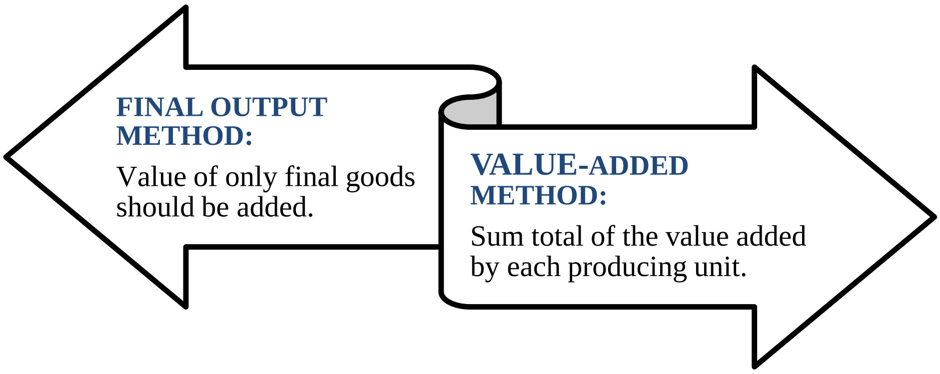
7. Explain the problem of double counting. How can it be avoided? **[3 M]**
[Modified question asked in 2019]

Suggested Answer:

- *Double counting means the counting of an output more than once while passing through various stages of production*.
- When calculating the national income, only the value of final goods and services is to be included.

- The problem of double counting arises when the value of intermediate goods is also included along with the value of final goods. As a result, the value of national income will be incorrect.

  There are two ways for avoiding double counting:



8. State the limitations of using GDP as an index of welfare of a country. **[3/4 M]**
[Modified question asked in 2019]

Suggested Answer:

An increase in GDP means an increase in the level of output in the economy, and this means greater per capita availability of goods in the economy which leads to the welfare of people, thus showing a strong relationship between GDP growth and welfare.

However, there are certain limitations related to this relationship such as

1. **Distribution of GDP:** It is possible that with a rise in GDP, inequalities in the distribution of income may also rise; hence, the welfare of people may not rise as much as the rise in GDP.

2. **Non-monetary exchanges:** GDP does not take into account many activities such as services by a housewife, unpaid farm labour etc. This leads to under-estimation of GDP. Thus, GDP loses its appropriateness as an index of welfare.

3. **Externalities:** This refers to benefits or harms of an activity caused by a firm or an individual for which they are not paid or penalised. It can be positive (benefit) or negative (harm). Impact of externalities is not accounted for in the index of social welfare in terms of GDP.

4. **Population growth:** GDP does not consider changes in population. Thus, if the growth of population is higher than the rate of growth of GDP, then this would result in the decrease in the per capita availability of goods and services which will directly affect the welfare of people.

9. Distinguish between real gross domestic product and nominal gross domestic product. Which of these is a better index of welfare of the people and why? **[3/6 M]**

Suggested Answer:

Real GDP	Nominal GDP
i. The total market value of the final output within the domestic territory using the base year prices.	i. The total market value of the final output within the domestic territory using the current year prices.
ii. Only when the quantity of output changes overtime, the value of real GDP will change.	ii. Only when there is a change in the prices overtime, the value of nominal GDP will change.
iii. Treated as an index of economic growth, i.e. higher real GDP.	iii. Treated as an index of economic growth, i.e. higher nominal GDP, but it does not indicate higher economic growth.

Real GDP is better to nominal GDP because of the following reasons:

- Real GDP helps in determining the effect of increase in the production of goods and services as it is affected by change in physical output only. On the other hand, nominal GDP can increase even without an increase in the physical output as it is also affected by a change in price.
- Real GDP is a better measure to make periodic comparisons in the physical output of goods and services over different years.
- Real GDP facilitates international comparison of economic performances across countries.

10. What are non-monetary exchanges? Give an example. Explain their impact on the use of gross domestic product as an index of the welfare of people. **[3 M]**

Suggested Answer:

- Non-monetary exchanges are those activities carried out in an economy which are not evaluated in monetary terms.
- This refers to all those services rendered by family members to each other. Example: Service rendered by a housewife.
- Since money is not involved in these transactions, it is not accounted for in the calculation of GDP. This is because GDP calculates the goods and services produced in an economy during a period of time in terms of money.
- These non-monetary exchanges are not accounted for during GDP calculation because of the unavailability of data, which results in the underestimation of GDP, making GDP an inappropriate index of the welfare of people.

11. How will you treat the following while estimating the domestic factor income of India? Give reasons for your answer. **[3 M]**

a. Remittances from non-resident Indians to their families in India
b. Rent paid by the embassy of Japan in India to a resident Indian
c. Profits earned by branches of a foreign bank in India

Suggested Answer:

a. Remittances from non-resident Indians to their families in India are n**ot included in the estimation of domestic income** as it is current transfer from abroad.
b. Rent paid by the embassy of Japan in India to a resident Indian is not **included in the estimation of domestic income as the Japanese embassy is not a part of the domestic territory.**
c. Profits earned by branches of a foreign bank in India are **included in the estimation of domestic income as profits** are earned within the domestic territory of India.

12. Which of the following items will be included in the national income? Give reasons **[3/4M]**

a. Dividend on shares
b. Bus fare of a passenger
c. Gains from sale of shares
d. Bonus to employees
e. Free meals to beggars

Suggested Answer:

a. Yes, it will be included, as it is a part of profits.
b. Yes, it will be included, as it is a part of private final consumption expenditure.
c. No, it will not be included, as it is a capital gain.
d. Yes, it will be included, as it is a part of compensation to employees.
e. No, it is not included, as it is a transfer payment.

13. Discuss in brief the precautions to be taken when using the following methods to estimate national income. **[6 M]**

[Modified question asked in 2017]

a. Value-added method
b. Income method
c. Expenditure method

Suggested Answer:

METHOD	PRECAUTIONS
	1. **Intermediate goods** are not to be included as they are already included in the value of final goods.
	2. **Sale and purchase of second-hand goods** is not included as they were

Valued-added method	already included in the year they were produced.
	3. **Domestic service** such as that of a housewife is not included as it is difficult to determine monetary value.
	4. **Production of goods for self-consumption** will be included as it contributes to the current output.
	5. **Imputed value of owner-occupied** houses should be included.
	6. **Change in the stock of inventories** will be included as a part of capital formation.

METHOD	PRECAUTIONS
Income method	1. **Transfer incomes** are not included as they are not associated with any productive activity and there is no value addition.
	2. **Income from the sale of second-hand goods** is not included as their original sale has already been counted.
	3. **Income from the sale of shares, bonds and debentures** will not be included as such transactions do not contribute to the current flow of goods and services.
	4. **Windfall gains** from lotteries, betting etc. are not included as there is no productive activity connected with them.
	5. **Payments out of past savings** are not included as they are paid out of past wealth or past savings.
	6. **Imputed value of owner-occupied houses, interest on own capital and production** will be included.
	7. **Indirect taxes** are not included in national income at factor cost; however, they are included in national income at market price.

METHOD	PRECAUTIONS
Expenditure method	1. **Expenditure on intermediate goods** will not be included in the national income as it is already included in the final expenditure.
	2. **Transfer payments** are not included as they are not associated with any productive activity.
	3. **Purchase of second-hand goods** will not be included as such expenditure has already been included when originally purchased.
	4. **Purchase of shares, bonds and debentures** will not be included as they do not add to the current flow of goods and services.
	5. **Expenditure on own account production** such as for self-consumption, imputed value of owner-occupied houses etc. will be included in the national income.

Numerical Questions

1. If real GDP is Rs. 200 and price index (with base = 100) is 110, calculate the nominal GDP. **[3 M]**

Suggested Answer:

Nominal GDP:

$$\text{Real GDP} = \frac{\text{Nominal GDP}}{\text{Price Index of Current Year}} \times 100$$

$$200 = \frac{\text{Nominal GDP}}{110} \times 100$$

$$\text{Nominal GDP} = \frac{200}{100} \times 110 = 220$$

2. Calculate GDP_{MP} by the expenditure method. **[6 M]**

Items	**Rs. (in crore)**
a) Net factor income from ROW	(–) 15
b) Imports	150
c) Exports	350
d) Government final consumption expenditure	120
e) Indirect taxes	60
f) Gross business fixed investment	90

g)	Gross inventory investment	100
h)	Subsidies	20
i)	Interest on national debt	40
j)	Residential construction investment	160
k)	Gross public investment	70
l)	Depreciation	80
m)	Private final consumption expenditure	640

Suggested Answer:

GDPMP = Private final consumption expenditure + Government final consumption expenditure + (Gross business fixed investments + Residential construction investment + Gross public investment + Gross inventory investment OR Change in stock) + (Exports – Imports)

GDPMP = **Rs. 1380 crore**

3. Calculate national income from the following data: **[6 M]**

S. No.	Particulars	(Rs in crores)
(i)	Private final consumption expenditure	900
(ii)	Profit	100
(iii)	Government final consumption expenditure	400
(iv)	Net indirect taxes	100
(v)	Gross domestic capital formation	250
(vi)	Change in stock	50
(vii)	Net factor income from abroad	(-) 40
(viii)	Consumption of fixed capital	20
(ix)	Net imports	30

Suggested Answer:

NNP_{FC} = Private Final Consumption Expenditure + Government Final Consumption Expenditure – Net Imports + Gross Domestic Capital Formation – Consumption of Fixed Capital – NIT + NFIA

= 900 + 400 – 30 + 250 – 20 – 100 + (–40)

= Rs. 1,360 crore

(Note: Change in stock is not considered as it is a part of the gross domestic capital formation.)

4. Given the following data, find the values of 'Gross Domestic Capital Formation' and 'Operating Surplus'. **[6 M]**

[Question asked in 2019]

S. No.	Particulars	Amount (₹in crore)
(i)	National Income	22,100
(ii)	Wages and Salaries	12,000
(iii)	Private Final Consumption Expenditure	7,200
(iv)	Net Indirect Taxes	700

(v)	Gross Domestic Capital Formation	?
(vi)	Depreciation	500
(vii)	Government Final Consumption Expenditure	6,100
(viii)	Mixed Income of Self-Employed	4,800
(ix)	Operating Surplus	?
(x)	Net Exports	3,400
(xi)	Rent	1,200
(xii)	Net Factor Income from Abroad	(-) 150

Suggested Answer:

$NDP_{FC} = NNP_{FC} - NFIA$
$= 22{,}100 - (150)$
$= 22{,}250$

NDP_{FC} = Wages and Salaries + Operating Surplus + Mixed Income of Self-Employed
22,250 = 1200 + Operating Surplus + 4,800
Operating Surplus = Rs. 5,450 crore

Important concepts for numerical questions:

1. Gross Domestic Capital Formation
2. Net Exports
3. Government Final Consumption Expenditure
4. GNP_{MP} and NNP_{MP}