

Previous Year Questions (PYQs) on National Income



Introductory Note

This document contains the following 3 sections –

Section A – Under this section, you will find the previous year questions which were asked in SEBI and PFRDA, NPS and IFSCA. This section will enable you to test your knowledge based on different concepts and for your comfort, we have segregated the questions according to the different examinations. The questions have been arranged in the following manner

- 1. SEBI Grade A** - Here, you will find all the previous years' questions, which were asked in the Phase 1 and Phase 2 of SEBI Grade A exam, starting from 2020 onwards
- 2. PFRDA Grade A** – Here, you will find all the previous years' questions, which were asked in phase 1 and Phase 2 of PFRDA Grade A exam, starting from 2021 onwards
- 3. IFSCA Grade A**- Here, you will find all the previous years' questions, which were asked in Phase 1 (Paper 2) of the IFSCA Grade A exam, starting from 2023 onwards.
- 4. NPS Grade A & B** - Here, you will find all the previous years' questions, which were asked in Phase 1 and Phase 2 of the NPS Grade A exam, starting from 2025 onwards.

If there is no question in this document on any exam for a particular year or years, it means no question was asked for that exam in that year(s) or exam itself was not conducted in that year.

Section B - In this section, you will find the answer key for all the questions, and it will enable you to check your marks and understand your performance accordingly.

Section C – This section contains a detailed explanation of every question, and herein you will be able to understand the concept in the best holistic manner as possible.

Section A

Questions asked in Phase 1 and 2 of SEBI Grade A exam, from 2020 onwards

Question 1 – What is the difference between GVA at Basic Price and GDP at Market Prices? **SEBI Grade A - Phase 2 - 2020**

- A. Investments
- B. Taxes and Subsidies
- C. Taxes
- D. Subsidies
- E. None of the Above

Question 2 – In 1991, if the GDP of America is = \$5766 and the given GNP is \$5796, then what are the possible reason _____ . **SEBI Grade A - Phase 1 - 2022**

- A. Positive net factor income from abroad is added to GDP to get GNP
- B. Negative net factor income from abroad is added to GDP to get GNP
- C. Net factor income from abroad is added to GNP to get GDP
- D. Positive net factor income from abroad is added to GNP to get GDP
- E. None of the above

Question 3– Calculate National Income or NNP at Factor Cost (FC): **SEBI Grade A - Phase 2 - 2022**

Particulars	Rs in Crores
GNP at Market Price	5069
Indirect Taxes	495
Subsidies	69
Consumption of Fixed Capital	626

- A. 4017

- B. 3025
- C. 4527
- D. 5500
- E. 4897

Question 4 – Which of the following is the formula for Per-capita Income? **SEBI Grade A - Phase 1 - 2024**

- A. Total real income/ Total population
- B. Total Income/ Total population
- C. Total population/ Total income
- D. Total inflation/ Total population
- E. Total area/ Total population

Question 5 – Which measure describes the total value of Goods and services produced in a time in the domestic territory? **SEBI Grade A - Phase 1 - 2024**

- A. Gross domestic product
- B. Net domestic product
- C. Human development Index
- D. Physical quality of life index
- E. Basic prices

Question 6 – Which of the following accurately describes the Say's Law of Market? **SEBI Grade A - Phase 2 - 2024**

- A. Demand creates its own supply.
- B. Production of Goods(supply) creates its own demand
- C. Demand and supply both are determinants to growth
- D. Supply is created for the short run only
- E. Demand creates the supply to reduce the prices

Question 7– Which of the following best describes the definition of National Income? **SEBI Grade A - Phase 2 - 2024**

- A. The total Income earned by resident of a country.
- B. The total value of all goods produced within a country's borders during a specific time
- C. The Sum of all taxes collected by the government in a specific time
- D. The total value of imports and exports in a country's economy
- E. The sum of consumption and investment done by the resident of a country

Question 8– Which of the following is an economic indicator of growth? **SEBI Grade A - Phase 2 - 2024**

- A. Economic Development
- B. Increase in standard of living
- C. Real GDP
- D. Nominal GDP
- E. Human Development Index

Questions asked in Phase 1 and 2 of PFRDA Grade A exam, from 2021 onwards

Question 1 – $GNP = GDP + \underline{\hspace{2cm}}$. **PFRDA Grade A - Phase 1 - 2021**

- A. Taxes
- B. Subsidies
- C. Net Factor Income from Abroad
- D. Both A and B
- E. None of the above

Question 2 – In the field of economics, what is the correct formula to calculate Net National Product? **PFRDA Grade A - Phase 2 - 2022**

- A. Gross National Product – NFIA
- B. Gross National Product – Depreciation
- C. Gross National Product + Depreciation
- D. Gross National Product – Indirect Taxes + Subsidies
- E. Gross National Product + NFIA

Questions asked in Phase 1 of the IFSCA Grade A exam, from 2023 onwards

No Questions asked in the IFSCA Grade A on this topic.

Questions asked in Phase 1 and 2 of the NPS Grade A & B exam, from 2025 onwards

Question 1 – The expenditure method of calculating national income includes which of the following components? **NPS Grade A & B - Phase 1 - 2025**

- A. $C + S + T + NX$
- B. $C + I + G + NX$
- C. $W + R + I + P$
- D. GDP – Depreciation
- E. None of the above

Question 2 – The output method of calculating national income is also known as which of the following? **NPS Grade A & B - Phase 1 - 2025**

- A. Expenditure method
- B. Income method
- C. Value-added method
- D. Marginal cost method
- E. Multiplier method



Section B

Answer Key

SEBI Grade A questions

Question Number	Answer
Question 1	Option B
Question 2	Option A
Question 3	Option A
Question 4	Option B
Question 5	Option A
Question 6	Option B
Question 7	Option A
Question 8	Option C

PFRDA Grade A questions

Question Number	Answer
Question 1	Option C
Question 2	Option B

NPS Grade A & B questions

Question Number	Answer
Question 1	Option B



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Section C

Explanation SEBI Grade A questions

Question 1 – What is the difference between GVA at Basic Price and GDP at Market Prices? **SEBI Grade A - Phase 1 - 2020**

- A. Investments
- B. Taxes and Subsidies
- C. Taxes
- D. Subsidies
- E. None of the Above

Answer – Option B

Explanation -

GVA at basic prices will include production taxes and exclude production subsidies available on the commodity. **GDP at market prices include both production and product taxes and excludes both production and product subsidies.**

- Thus, the difference between GVA at basic prices and GDP at Market prices is **of taxes and subsidies as GDP at market prices also include product taxes and excludes product subsidies which does not happen with GDP at Basic Prices.**

GVA at factor cost includes no taxes and excludes no subsidies.

Production taxes or production subsidies are paid or received with relation to production (for engaging in production) and are independent of the volume of actual production.

- Some examples of production taxes are stamps and registration fees and tax on profession. These (production taxes) are imposed even if the products are not produced, such as property. Some production subsidies include subsidies to Railways, subsidies to village and small industries, administrative subsidies to corporations or cooperatives, assistance in the creation of a new firm etc.

Product taxes or subsidies are paid or received on per unit of product.

- Some examples of product taxes are excise tax, sales tax, service tax and import and export duties.

Question 2 – In 1991, if the GDP of America is = \$5766 and the given GNP is \$5796, then what are the possible reason _____ . **SEBI Grade A - Phase 1 - 2022**

- A. Positive net factor income from abroad is added to GDP to get GNP
- B. Negative net factor income from abroad is added to GDP to get GNP
- C. Net factor income from abroad is added to GNP to get GDP
- D. Positive net factor income from abroad is added to GNP to get GDP
- E. None of the above

Answer – Option A

Explanation –

Gross Domestic Product (GDP) refers to the value of goods and services that are produced in the domestic territory in a year. It does not include Net Factor Income from Abroad.

Gross National Product (GNP) refers to the value of goods and services that are produced by the normal residents of a country in a year. **It includes Net Factor Income from Abroad.**

- **Gross National Product (GNP) = Gross Domestic Product (GDP) + Net Factor Income from Abroad**
- **Gross Domestic Product (GDP) = Gross National Product (GNP) – Net Factor Income from Abroad**

Thus, if Net Factor Income from Abroad is positive then only GNP can be greater than the GDP.

- **Net factor income from abroad** is the difference between the factor income earned from abroad by normal residents of a country (say, India) and the factor income earned by non-residents (foreigners) in the domestic territory of that country (i.e., India). $NFIA = \text{Factor incomes received from abroad} - \text{Factor income paid abroad}$.
- **Central Statistical Organization (CSO) of India** defines it as “Income attributable to factor services rendered by the normal residents of the country to the rest of the world, fewer factor services rendered to them by the rest of the world.”

Question 3 – Calculate National Income or NNP at Factor Cost (FC): **SEBI Grade A - Phase 2 - 2022**

Particulars	Rs in Crores
GNP at Market Price	5069
Indirect Taxes	495

Subsidies	69
Consumption of Fixed Capital	626

- A. 4017
- B. 3025
- C. 4527
- D. 5500
- E. 4897

Answer – Option A

Explanation –

Net National Product at Factor Cost (NNP at FC) = Gross National Product at Market Price (GNP at MP) - Consumption of Fixed Capital - Indirect Taxes + Subsidies

- **Net = Gross – Depreciation (Consumption of Fixed Capital).**
- **Thus, we deduct Depreciation (626) to come at Net.**
- Gross = Net + Depreciation
- **Factor Cost = Market Price – Indirect Taxes + Subsidies**
- **Thus, we deduct Indirect taxes (495) and add subsidies (69) to come to Factor Cost**
- Market Price = Factor Cost + Indirect Taxes - Subsidies

NNP at FC = 5069 – 626 – 495 + 69 = 4017

Question 4 – Which of the following is the formula for Per-capita Income? **SEBI Grade A - Phase 1 - 2024**

- A. Total real income/ Total population
- B. Total Income/ Total population
- C. Total population/ Total income
- D. Total inflation/ Total population
- E. Total area/ Total population

Answer – Option B

Explanation –

- Per capita income (PCI) or average income measures the **average income earned per person in a given area (city, region, country, etc.) in a specified year.**

- The per capita income of a geographical location determines the average income of a person in a country, a state, or a specific region. This helps us evaluate the standard of livelihood and the quality of life of people in the geographical location.
- In Latin, the word "Per Capita" means "by head." PCI compares and assesses the economic situations of countries with varying population sizes. The measurement of a country's per capita income is done by dividing the total national income of a particular country or state by the population in that specific geographical region.
- The formula to calculate Per-capital Income is **Total Income/ Total Population**

Question 5 – Which measure describes the total value of Goods and services produced in a time in the domestic territory? **SEBI Grade A - Phase 1 - 2024**

- A. Gross domestic product
- B. Net domestic product
- C. Human development Index
- D. Physical quality of life index
- E. Basic prices

Answer – Option A

Explanation –

- **Gross Domestic Product (GDP)** at Market Price - Total value of all final goods and services produced in a year in the domestic territory of a country by the residents and non-residents. includes everything produced by all the people and companies in the country. GDP is a key indicator used to gauge the health of a country's economy. Option A is correct.
- **Net Domestic Product (NDP)** is derived from GDP. It represents the total value of goods and services produced within a country, minus the depreciation of capital goods. Option B is not correct.
- **Human Development Index (HDI)** is a composite statistic of life expectancy, education, and per capita income indicators. It is used to rank countries into four tiers of human development. Option C is not correct.
- **Physical quality of life index (PQLI)** is an index that measures the quality of life or well-being of countries. It combines three indicators: Basic literacy rate, infant mortality, and life expectancy at age one. Option D is not correct.
- **Basic prices** refer to the amount received by producers for their output minus any taxes on products plus any subsidies on products. Option E is not correct.

Question 6 – Which of the following accurately describes the Say's Law of Market? **SEBI Grade A - Phase 2 - 2024**

- A. Demand creates its own supply.
- B. Production of Goods(supply) creates its own demand

- C. Demand and supply both are determinants to growth
- D. Supply is created for the short run only
- E. Demand creates the supply to reduce the prices

Answer – Option B

Explanation –

- Say's Law, named after French economist Jean-Baptiste Say, essentially asserts that **supply creates its own demand**.
- In other words, the act of producing goods and services (supply) generates income for those involved in production, which they can then spend on other goods and services. Thus, production is seen as the source of demand in the economy. **Hence, statement B is correct and so option B is correct.**
- While demand plays a role in determining what goods are produced, Say's Law argues that supply comes first, creating the income necessary for demand. Hence, statement A is incorrect.
- While both supply and demand influence economic growth, Say's Law focuses on the primacy of supply in creating demand, rather than both being co-equal determinants. **Hence, statement C is incorrect.**
- Say's Law does not make any distinction between short-run and long-run production. It simply argues that supply, whenever it is produced, generates its own demand. This option introduces an unnecessary time dimension that is not part of Say's Law. **Hence, statement D is incorrect.**
- Say's Law emphasizes that production (supply) is the driving force, not demand, and doesn't focus on price reduction mechanisms. **Hence, statement E is incorrect.**

Question 7– Which of the following best describes the definition of National Income? **SEBI Grade A - Phase 2 - 2024**

- A. The total Income earned by resident of a country.
- B. The total value of all goods produced within a country's borders during a specific time
- C. The Sum of all taxes collected by the government in a specific time
- D. The total value of imports and exports in a country's economy
- E. The sum of consumption and investment done by the resident of a country

Answer – Option A

Explanation –

- National income refers to **the total value of all income earned by the residents** (citizens and businesses) of a country during a specific period, typically a year. This includes wages, rents, interests, and profits.
- It represents the overall earnings of the country's residents, both from domestic production and from abroad. **Hence, statement A is correct and so option A is correct.**

- The total value of all goods produced within a country's borders during a specific time: **This refers to Gross Domestic Product (GDP), not national income.**
- GDP measures the total value of goods and services produced within a country's borders, but national income also includes income earned by residents from abroad. **Hence, option B is not correct.**
- The sum of all taxes collected by the government in a specific time: **This describes the government's tax revenue, not national income.** Taxes are part of government revenue but do not represent the total income earned by the country's residents. **Hence, option C is not correct.**
- The total value of imports and exports in a country's economy: **This refers to the balance of trade (or net exports),** which measures the difference between the value of a country's exports and imports. It is not the same as national income. **Hence, option D is not correct.**
- **The sum of consumption and investment done by the residents of a country:** This describes the components of **aggregate demand** in an economy, not national income. Consumption and investment are parts of overall economic activity, but they do not account for the total income earned by residents. **Hence, statement E is not correct.**

Question 8– Which of the following is an economic indicator of growth? **SEBI Grade A - Phase 2 - 2024**

- A. Economic Development
- B. Increase in standard of living
- C. Real GDP
- D. Nominal GDP
- E. Human Development Index

Answer – Option C

Explanation –

- **Real GDP is the most used economic indicator of growth.** It measures the total value of all goods and services produced in an economy, adjusted for inflation.
- This makes it a reliable indicator for tracking economic growth over time, as it reflects actual increases in production, excluding the effects of rising prices. **Hence, option C is correct.**
- **Economic Development:** Economic development refers to broader progress in an economy, including improvements in quality of life, health, and education, but it is not a direct measure of economic growth. Growth focuses more on quantitative increases in output, while development is more qualitative. **Hence, option A is not correct.**
- **Increase in standard of living:** This is an outcome of economic growth but not a direct indicator. While growth can lead to a higher standard of living, it is not a precise metric of growth itself. **Hence, option B is not correct.**

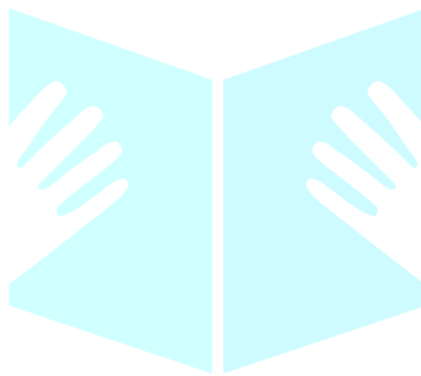
- **Nominal GDP:** Nominal GDP measures the value of goods and services at current prices without adjusting for inflation. While it shows the monetary value of an economy, it does not reflect the real growth in production because it can be distorted by changes in price levels (inflation). **Hence, option D is not correct.**
- **Human Development Index (HDI):** The HDI is a composite measure of economic development that considers factors like life expectancy, education, and per capita income, but it is not specifically a measure of economic growth. It's more related to the overall well-being and quality of life in an economy. **Hence, option E is not correct.**

Explanation

PFRDA Grade A questions

Question 1 – $GNP = GDP + \underline{\hspace{2cm}}$. **PFRDA Grade A - Phase 1 - 2021**

- A. Taxes
- B. Subsidies
- C. Net Factor Income from Abroad
- D. Both A and B
- E. None of the above



Answer – Option C

Explanation –

Gross Domestic Product refers to the value of goods and services that are produced in the domestic territory in a year. It does not include Net Factor Income from Abroad.

Gross National Product refers to the value of goods and services that are produced by the normal residents of a country in a year. It includes Net Factor Income from Abroad.

- Gross National Product = Gross Domestic Product + Net Factor Income from Abroad
- Gross Domestic Product = Gross National Product – Net Factor Income from Abroad

Net Factor Income from Abroad (NFIFA) is the difference between the factor income earned from abroad by normal residents of a country (say, India) and the factor income earned by non-residents (foreigners) in the domestic territory of that country (i.e., India).

- **NFIA** = Factor incomes received from abroad - Factor income paid abroad.

- **The Central Statistical Organization (CSO) of India** defines it as “Income attributable to factor services rendered by the normal residents of the country to the rest of the world, less factor services rendered to them by the rest of the world.”

Question 2 – In the field of economics, what is the correct formula to calculate Net National Product? **PFRDA Grade A - Phase 2 - 2022**

- A. Gross National Product – NFIA
- B. Gross National Product – Depreciation
- C. Gross National Product + Depreciation
- D. Gross National Product – Indirect Taxes + Subsidies
- E. Gross National Product + NFIA

Answer – Option B

Explanation –

Net National Product = Gross National Product – Depreciation. National is same in RHS and LHS, thus we have only Gross to convert to net. To convert Gross to net we deduct depreciation.

The monetary value of an asset decreases over time due to use, wear and tear or obsolescence. This decrease is measured as depreciation.

When the net is to be converted to Gross, depreciation is added and when the gross is to be converted to net, depreciation is deducted.

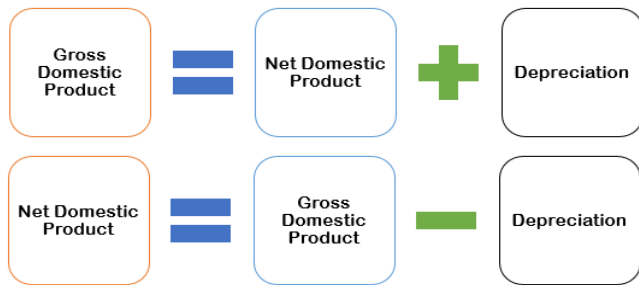
National Product refers to the total value of all the goods and services produced by the normal residents of a country, irrespective of their location.

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Gross - Net

$$\text{Gross} = \text{Net} + \text{Depreciation}$$

$$\text{Net} = \text{Gross} - \text{Depreciation}$$



GDP may overstate the amount of economic activity in nations with rapidly depreciating capital stocks. NDP is a true indicator of how the economy is expanding.

Explanation NPS Grade A & B questions

Question 1 – The expenditure method of calculating national income includes which of the following components? **NPS Grade A & B - Phase 1 - 2025**

- A. $C + S + T + NX$
- B. $C + I + G + NX$
- C. $W + R + I + P$
- D. $GDP - \text{Depreciation}$
- E. None of the above

Answer – Option B

Explanation –

The expenditure method of calculating national income (GDP) is based on the total spending in an economy. It is expressed as: $GDP = C + I + G + NX$, where:

- C (Consumption) = Household spending on goods and services

- I (Investment) = Business investments in capital goods, inventory changes, and residential construction
- G (Government Spending) = Expenditures by the government on goods and services
- NX (Net Exports) = Exports minus Imports

This method calculates GDP by **summing up all expenditures made in an economy** within a specific period. **Hence, option B is the correct answer.**

Question 2 – The output method of calculating national income is also known as which of the following? **NPS**
Grade A & B - Phase 1 - 2025

- A. Expenditure method
- B. Income method
- C. Value-added method
- D. Marginal cost method
- E. Multiplier method

Answer – Option C

Explanation –

- The **output method of calculating national income is also called the value-added method**. This approach measures national income by adding up the value added at each stage of production in an economy.
- The value added is calculated as the difference between the value of output and the value of intermediate goods used in production. This method avoids double counting by considering only the final value created at each stage of production.
- **For example**, suppose a farmer sells wheat for \$100, a baker buys it and makes bread worth \$200, and a retailer sells it for \$250. In that case, the total value-added is: o Farmer: \$100 o Baker: \$100 (\$200 - \$100) o Retailer: \$50 (\$250 - \$200) o Total value added = \$250, which represents the contribution to national income.
- This method is widely used in GDP calculation as it helps measure the contribution of different sectors (agriculture, industry, services) to the economy. **Hence, Option C is the correct answer.**