

	ANSWER KEY-NATIONAL INCOME
	XII ECONOMICS ASSIGNMENT
1.	The services of a school teacher will be included in the national income of the country as it contributes to the current flow of services in the economy. (b) The money received from the sale of a second-hand car will not be included in the national income of the country
2.	The given statement is refuted. Gross investment includes addition to capital stock which also includes replacement for the normal wear and tear (depreciation). Whereas, addition to capital stock in an economy is measured by net investment. So, in an accounting sense, if the value of depreciation becomes zero, only then gross investment will be equal to net investment.
3.	The given statement is refuted. Net factor income from abroad is the difference between factor income earned from rest of the world and factor income paid to rest of the world. If the value of factor income paid to rest of the world is greater than the factor income earned from rest of the world, the resulting value (net factor income from abroad) can be negative.
4.	This statement is not true. (i) If the rate of population growth is more than the rate of growth of GDP, the per capita availability of goods and services will fall. (ii) GDP doesn't account for changes in inequalities in distribution of Income. If the rising GDP is concentrated in a few hands, per capita availability of goods in the economy might not increase.
5.	The given statement is not true. The value added by oil refinery to the Gross Domestic Product (GDP) may also be polluting the nearby source of water. Such harmful effects that the refinery is causing to people and marine life is not penalized for the same. Thus, these negative externalities are not ensuring the welfare of the economy through Gross Domestic Product (GDP).
6.	(a) The given statement is defended; as it is difficult to measure the monetary value of the services performed by a woman (homemaker). Therefore, these activities may not be considered as an economic activity. (b) Compensation given to the victims of a cyclone is an example of a social welfare measure taken by the government. However, it is not included in estimation of national income as it is a transfer payment which does not correspond to a flow of goods
7.	Positive externality: development of small businesses. Negative externality: pollution Explanation: The creation of a park in a certain neighbourhood would draw people there, which will eventually result in the construction of small businesses like food stalls, doll stores, etc., which may increase the locals' income. However, it will boost consumption and cause environmental degradation.