

Macro Module 1 National Income Accounts practice exam questions

(The attached PDF file has better formatting.)

The two practice problems below have the same entries in the boxes; the first starts with Gross Domestic Product and derives other accounts, while the second starts with Disposable Personal Income and derives other accounts.

[The following scenario applies to the next four questions.]

The national income accounts for 20XX are

Income on Capital Owned by U.S. Residents but Located Abroad	3.25
Labor Income of U.S. Residents Working Abroad	1.75
Payments to Capital in the U.S. Owned by Foreigners	0.75
Payment to Foreigners Working in the U.S.	4.50
Depreciation of capital stock	12.50
Corporate profits, taxes on production, business transfers, and net interest	22.25
Personal transfer payments and personal income receipts on assets	18.50
Personal taxes	8.75

Gross Domestic Product is 100. The national accounts have no statistical discrepancies.

Question 1.1: Gross National Product

What is Gross National Product?

Answer 1.1: $100 + 3.25 + 1.75 - 0.75 - 4.50 = 99.75$

Gross Domestic Product (GDP)

- + Income on Capital Owned by U.S. Residents but Located Abroad
- + Labor Income of U.S. Residents Working Abroad
- Payments to Capital in the U.S. Owned by Foreigners
- Payments to Foreigners Working in the U.S.
- = Gross National Product (GNP)

Question 1.2: Net National Product

What is Net National Product?

Answer 1.2: $99.75 - 12.50 = 87.25$

- Gross National Product (GNP)
- Depreciation of capital stock
- = Net national product (NNP) (~ National income)

Question 1.3: Personal income

What is personal income?

Answer 1.3: $87.25 - 22.25 + 18.50 = 83.50$

- Net national product (NNP) (~ National income)
- Corporate profits, taxes on production, business transfers, and net interest
- + Personal transfer payments and personal income receipts on assets
- = Personal income

Question 1.4: Disposable personal income

What is disposable personal income?

Answer 1.4: $83.50 - 8.75 = 74.75$

- Personal income
- Personal taxes
- = Disposable personal income

[The following scenario applies to the next four questions.]

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Payment to Foreigners Working in the U.S.	4.50
Depreciation of capital stock	12.50
Corporate profits, taxes on production, business transfers, and net interest	22.25
Personal transfer payments and personal income receipts on assets	18.50
Personal taxes	8.75

Disposable personal income is 100. The national accounts have no statistical discrepancies.

Question 1.5: Personal income

What is personal income?

Answer 1.5: $100 + 8.75 = 108.75$

Personal income
– Personal taxes
= Disposable personal income

Question 1.6: Net national product (NNP)

What is net national product (NNP) (~ National income)?

Answer 1.6: $108.75 + 22.25 - 18.50 = 112.50$

Net national product (NNP) (~ National income)
– Corporate profits, taxes on production, business transfers, and net interest
+ Personal transfer payments and personal income receipts on assets
= Personal income

Question 1.7: Gross National Product

What is Gross National Product?

Answer 1.7: $112.50 + 12.50 = 125.00$

Gross National Product (GNP)
– Depreciation of capital stock
= Net national product (NNP) (~ National income)

Question 1.8: Gross Domestic Product

What is Gross Domestic Product?

Answer 1.8: $125.00 - 3.25 - 1.75 + 0.75 + 4.50 = 125.25$

Gross Domestic Product (GDP)

- + Income on Capital Owned by U.S. Residents but Located Abroad
- + Labor Income of U.S. Residents Working Abroad

- Payments to Capital in the U.S. Owned by Foreigners
- Payments to Foreigners Working in the U.S.

- = Gross National Product (GNP)