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Answers Key:

1 Marks

1. (☒) Intermediate product
   Reason: It is an intermediate product as paper is used for further production during the same year.
2. (☒) Final product
   Reason: It is a final product as it is used by households for final consumption.
3. (☒) True
   Reason: It happens because firms sell their entire output to the households.
4. (☒) True
   Reason: Even in case of closed economy, circular flow of income takes place between households and firms.

5 Marks

5. In laynan terms, the domestic territory of a nation is understood to be the territory lying within the political frontiers (or boundaries) of a country. But in national income accounting the term domestic territory is used in a wider sense. Based on 'freedom' criterion, the scope of economic territory is defined to cover:
   (i) Ships and aircrafts owned and operated by normal residents between two or more countries. For example, Indian Ships moving between China and India regularly are part of domestic territory of India. Similarly, planes operated by Air lndia between Russia and Japan are part of the domestic territory of India. Similarly, planes operated by Malaysian Airlines betwern India and Japan are a part of the domestic territory of Malaysia.
   (ii) Fishing vessels, oil and natural gas rigs and floating platforms operated by the residents of a country in the international waters where they have exclusive rights of operation. For example, Fishing boats operated by Indian fishermen in international waters of Indian Ocean will be considered a part of domestic territory of India.
   (iii) Embassies, consulates and military establishments of a country located abroad. For example, Indian Embassy in Russia is a part of the domestic territory of India.
   'Consulate' is an office or building used by consul (an officer commissioned by the government to reside in a foreign country to promote the interest of the country to which he belongs).
6. Producer goods are all those goods which are used in the process of production i.e., which are used in the production of other goods. Producer goods include two types of goods:
   (i) **Single-use Producer Goods:** Goods used as raw material by the producers. It includes raw material like coal, wood, etc. They are not capital goods as they cannot be repeatedly used in the production process.
   (ii) **Capital Goods:** Goods which are used as fixed assets by the producers, like plant and machinery, which can be repeatedly used in the production process.
   So, it can be said that all capital goods are producer goods, but all producer goods are not capital goods.

3 Marks

7. An economy may be divided into different sectors depending on the nature of study.
   (i) Producer sector engaged in the production of goods and services.
   (ii) Household sector engaged in the consumption of goods and services.
   Note: Households are taken as the owners of factors of production.
   (iii) The government sector engaged in activities like taxation and subsidies.
   (iv) Rest of the world sector engaged in exports and imports.
   (v) Financial sector (or financial system) engaged in the activity of borrowing and lending.
8. The Great Depression took place in 1929 which adversely affected the developed economies of Europe and North America. It continued for 10 years. There was extreme fallin aggregate demand due to fall in income, which led to a vicious circle of poverty.

2 Marks

9. The goods, which have crossed the boundary line of production and are ready for use by their final users are known as final goods. e.g. clothes, milk consumed by a consumer.
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Multiple Choice Question

11. (a) Without any exchange of goods and services.
12. (d) All of these.
13. (d) Can be Consumption goods and intermediate goods
14. (d) All of them
15. (a) Households
16. (d) All of these
17. (b) Real flow