

Determination Of National Income

National Income Accounting

Different Concepts of National Income

Measurement Of National Income In India

Limitations and Challenges Of National Income Computation

Gross
GNP
GDP

$GNP = GDP + \text{Net Factor Income From Abroad.}$
 $GDP = \text{Irrespective of Nationality, Goods \& Services Produced Within Domestic Territory Of a Country are to be Considered.}$

Net
MNP
NDP

$NNP = GNP - \text{Depreciation}$
 $NDP = GDP - \text{Depreciation}$

Price
MP
FC
Nom
Real

$\text{Factor Cost} = MP - \text{Net Indirect Taxes}$
 $\text{Nominal} = \text{Market Price Will Vary From Case To Case}$
 $\text{Real} = \text{Market Price Will Remain Constant.}$

Per Capita Income (PCI)
Disposable
Personal Income

$PCI = \frac{\text{Total National Income}}{\text{Population}}$
 $DPI = \frac{\text{Personal Income} - \text{Personal Income Taxes}}$

Production (value added)

Prd- It is a sum total of net value added at factor cost across all producing units within domestic territory.
 Less - Intermediate Purchase

Expenditure

Exp- It is the aggregate of Final expenditure (Cons+Savings)

Income

Inc- It is a summation of factor income paid out by all the production units within the domestic territory of a country as wages, interest, rent & profit.
 *It includes payments to non-resident also.

*Limitations

- It does not consider health, safety, pollution, standard of living, education etc.
- Per Capita Income could be incorrect.
- Illegal services are not considered
- unreported income is also not considered.
- Volunteer work is ignored.

** Irrespective of any method GDP will remain same.

The Keynesian Theory Of Determination Of National Income

Sector Mode

2

Firm
Household
 $Y = C + I$

3

Firm
Household
Government
 $Y = C + I + G$

4

Firm
household
Government
export /
import
 $Y = C + I + G + \text{NET EXP}$
i.e Export - import

Designed By- **Swapnil Patni**

- CA, CS, LLB, B.Com, CISA, DISA
- Expertise Knowledge in ISCA, EIS, SM, LAW.
- Presence all over India at the age of 30.
- Also Known as the "Motivational Guru".

YouTube	Channel Name	- Swapnil_Patni
	Subscribers	- 2,10,000+
	Total Views	- 20 Million
Facebook	Page Name	- CA Swapnil Patni
	Followers	- 55,000+
	Facebook Accounts	- 2,50,000
Instagram	Page Name	- Swapnil_Patni
	Followers	- 40,000+
Telegram	Channel Name	- Swapnil Patni Classes
	Subscribers	- 12,000+

SPC Has 160 Branches Across INDIA.
Buy Books & Pendrive From www.swapnilpatni.com

Misc

ie. **C = Consumption**
I = Investments
G = Government

CONSUME

MPC	APC
$MPC = \frac{\Delta C}{\Delta Y}$	$APC = \frac{C}{Y}$
$MPC = 1 - MPS$	$APC = 1 - APS$

MULTIPLIER

Multiplier refers to the phenomenon whereby a change in an injection of expenditure will lead to a proportionally large change in the level national income.
More leakage= less Multiplier.

SAVE

MPS	APS
$MPS = \frac{\Delta S}{\Delta Y}$	$APS = \frac{S}{Y}$
$MPS = 1 - MPC$	$APS = 1 - APC$

CONSUMPTION FUNCTION

$C = a + by$
a= constant
b=Propensity to consume
y= Total Disposable Income

Chapter 2 - Public Finance - Unit 2

What is Market Failure?

Mismatch of Demand & Supply

-Firms that have market power are price makers and therefore can charge a price that gives them positive economic profits. Excessive market power causes the single producer or a small number of producers to produce and sell less output than would be produced in a competitive market. -Market power can cause markets to be inefficient because it keeps price higher and output lower than the outcome of equilibrium of supply and demand.

Reasons For Market Failure

Monopoly

Externalities

Public Goods

Types Market Failure

Demand Side
-Eg. Wagholi pune

Supply Side
- Eg. Agra, Bhopal

Types

Production

Positive

A positive production externality initiated in production that confers external benefits on others may be received in production or in consumption.

Negative

A negative externality initiated in production which imposes an external cost on others may be received by another in consumption or in production.

consumption

Positive

A positive consumption externality initiated in consumption that confers external benefits on others may be received in consumption or in production.

Negative

A Negative consumption externalities are extensively experienced by us in our day to day life. Such negative consumption externalities initiated in consumption which produce external costs on others may be received in consumption or in production.

Social Cost

$\text{Social Cost} = \text{Private Cost (Eg. Direct Cost Of Production)} + \text{External Cost (Eg. Petha Agra)}$

- *Public Goods
- *Private Goods
- *Pure Goods
- *Impure Goods
- *Mix Goods
- *Common Access
- *Global Public Goods
- *Free Rider Goods

Incomplete Information

Meaning

Asymmetric

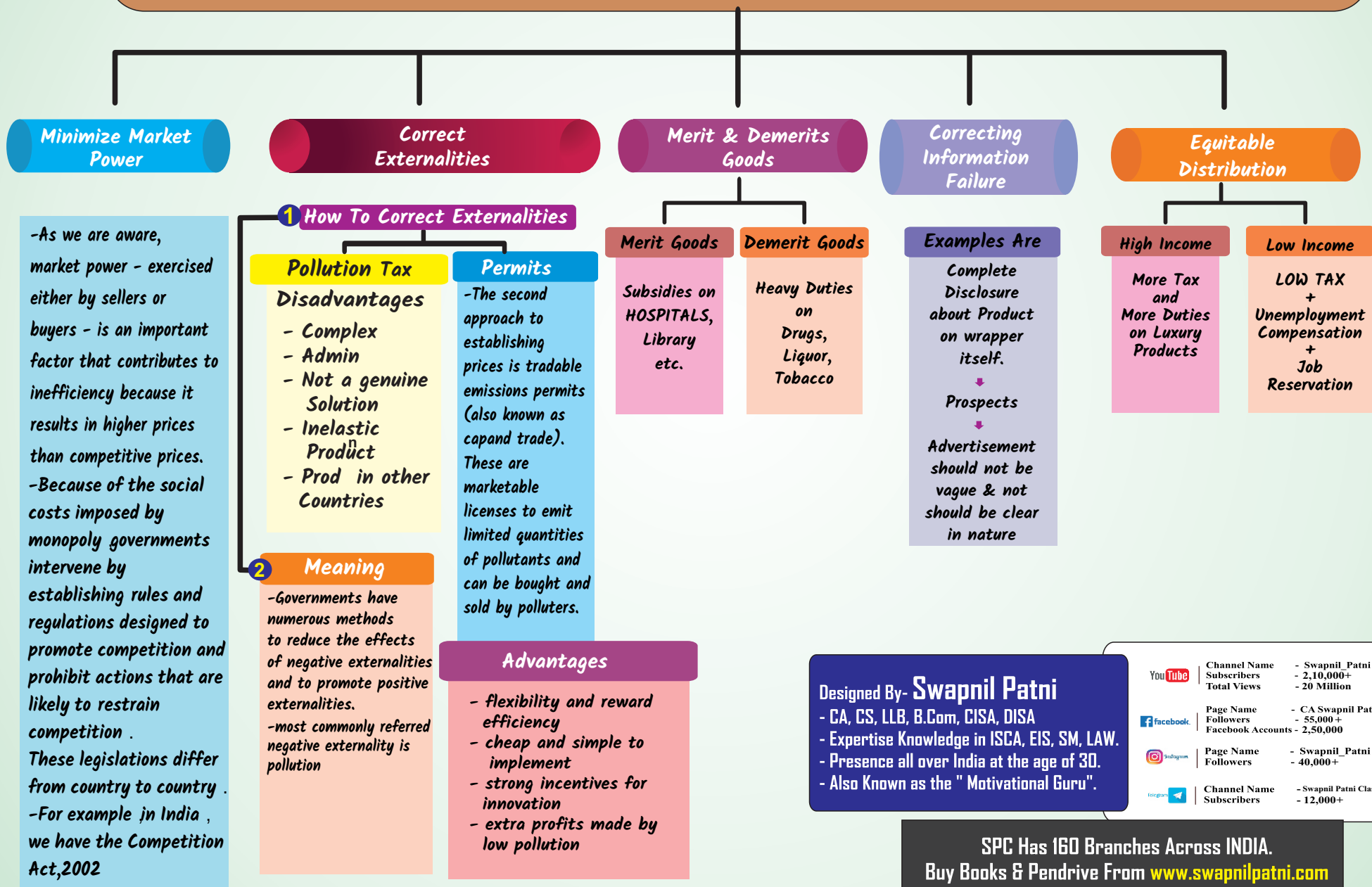
Old Car

Adverse Selection

Eg. Insurance

Incomplete Information
Complete information is an important element of competitive market. Perfect information implies that both buyers and sellers have complete information about anything that may influence their decision making.
Asymmetric information occurs when there is an imbalance in information between buyer and seller i.e. when the buyer knows more than the seller or the seller knows more than the buyer. This can distort choices.
Adverse selection is a situation in which asymmetric information about quality eliminates high quality goods from a market.

Government Intervention To Correct Market Failure



Designed By- **Swapnil Patni**
 - CA, CS, LLB, B.Com, CISA, DISA
 - Expertise Knowledge in ISCA, EIS, SM, LAW.
 - Presence all over India at the age of 30.
 - Also Known as the "Motivational Guru".

YouTube	Channel Name	- Swapnil_Patni
	Subscribers	- 2,10,000+
	Total Views	- 20 Million
Facebook	Page Name	- CA Swapnil Patni
	Followers	- 55,000+
	Facebook Accounts	- 2,50,000
Instagram	Page Name	- Swapnil_Patni
	Followers	- 40,000+
Telegram	Channel Name	- Swapnil Patni Classes
	Subscribers	- 12,000+

SPC Has 160 Branches Across INDIA.
 Buy Books & Pendrive From www.swapnilpatni.com

Unit 4 – Fiscal Policy

Instruments

- *Government Expenditure*
- *Tax*
- *Debt*
- *Budget*

Types

- *Expansionary*
- *Contractionary*

Limitations of Fiscal Policy

- *Instant*
- *Capital*
- *Long Duration*
- *Govt. Perpetual burden*
- *Foreigners Disincentive*
- *Expansion – Inflation*
- *Predict – Inflation/ Deflation*

Crowding out

How to reduce Inequalities

- *DT*
- *IDT*
- *Other*

Chapter 3 Money Market Unit 1 The Concept Of Money Demand

Money Market

The Concept of Money Demand

Factions Of Money

- Convenient medium of Exchange.
- It is a Common measure of Value.
- It is a standard of Deferred Payment.

Demand For Money

- For Expenses.
- To have Command over Real Goods.
- For unforeseen Situation.

The Theories of Demand For Money

QTM / Fisher

$$MV=PT$$

Cambridge Approach

$$MV=KPV$$

(Constant Saving)
- it focus on stoke

Keynesian Theory

- People Hold Money for 3 motives
- 1) DSY TO STAY
- 2) Precautionary
- 3) Speculative Demand for future opportunity.

Post Keynesian Development in the theory of Demand of Money

Inventory

- Cost Of Brokerage (Should be Considered while Deposit in bonds)
- ROI
- Brokerage
- Optimum Combination of Bonds & Cash.

Friedman

- Consider Permanent Income
- Determinate of Demand for supply
- Wealth
- Price
- Inflation
- ROI

Demand For Money

- Liquidity Pref/ Tobin
- If Interest rate is high then the Invest in bond or else hold
- More Interest Rate = More Bonds

Designed By- **Swapnil Patni**
 - CA, CS, LLB, B.Com, CISA, DISA
 - Expertise Knowledge in ISCA, EIS, SM, LAW.
 - Presence all over India at the age of 30.
 - Also Known as the "Motivational Guru".

	Channel Name - Swapnil_Patni	Subscribers - 2,10,000+	Total Views - 20 Million
	Page Name - CA Swapnil Patni	Followers - 55,000+	Facebook Accounts - 2,50,000
	Page Name - Swapnil_Patni	Followers - 40,000+	
	Channel Name - Swapnil Patni Classes	Subscribers - 12,000+	

SPC Has 160 Branches Across INDIA.
 Buy Books & Pendrive From www.swapnilpatni.com

Unit 2 - The Instruments of Trade Policy

A) Tariffs

- *Specific Tariff*
- *Ad valorem tariff*
- *Mixed Tariffs*
- *Compound Tariff or a Compound Duty*
- *Technical/Other Tariff*
- *Tariff Rate Quotas*
- *Most-Favored Nation Tariffs*
- *Variable Tariff*
- *Preferential Tariff*
- *Bound Tariff*
- *Applied Tariffs*
- *Escalated Tariff*
- *Prohibitive tariff*
- *Important subsidies*
- *Tariffs as Response to Trade Distortions*
- *Anti-dumping Duties*
- *Countervailing Duties*

B) Non Tariffs Measures

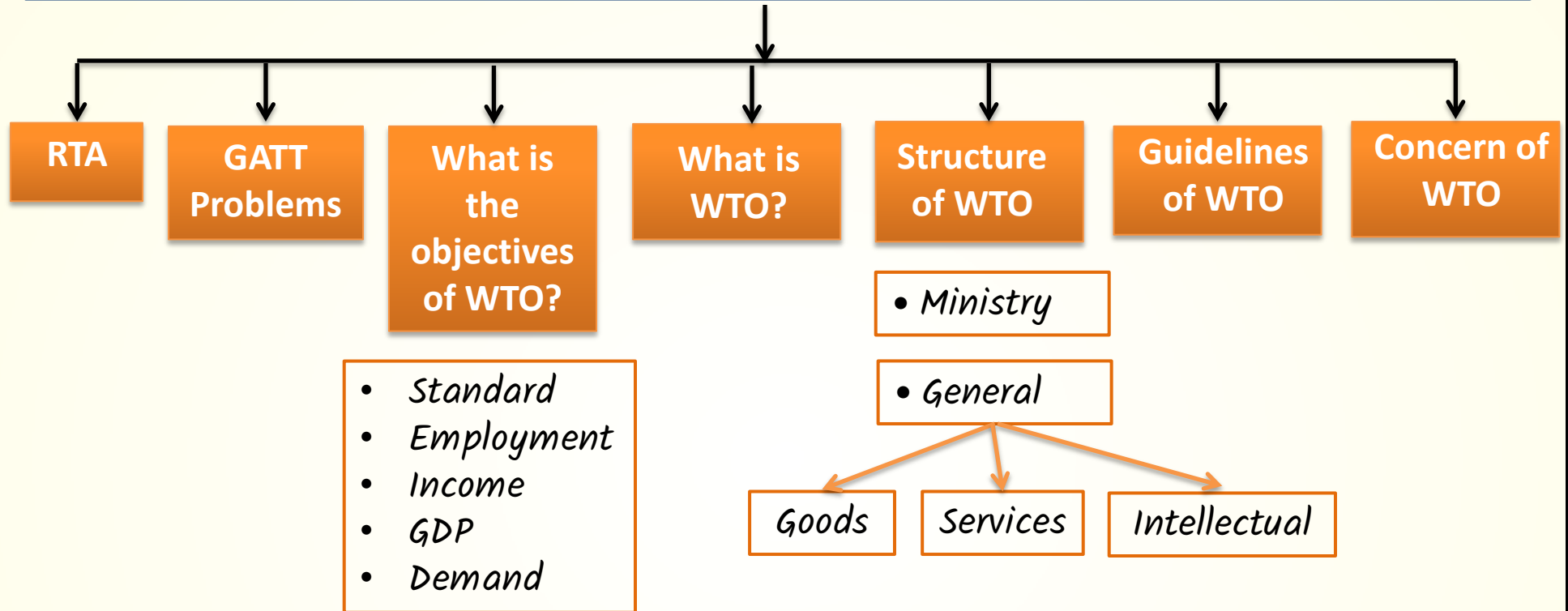
Technical Measures

- *Sanitary and Phytosanitary (SPS) Measures*
- *Technical Barriers To Trade (TBT)*

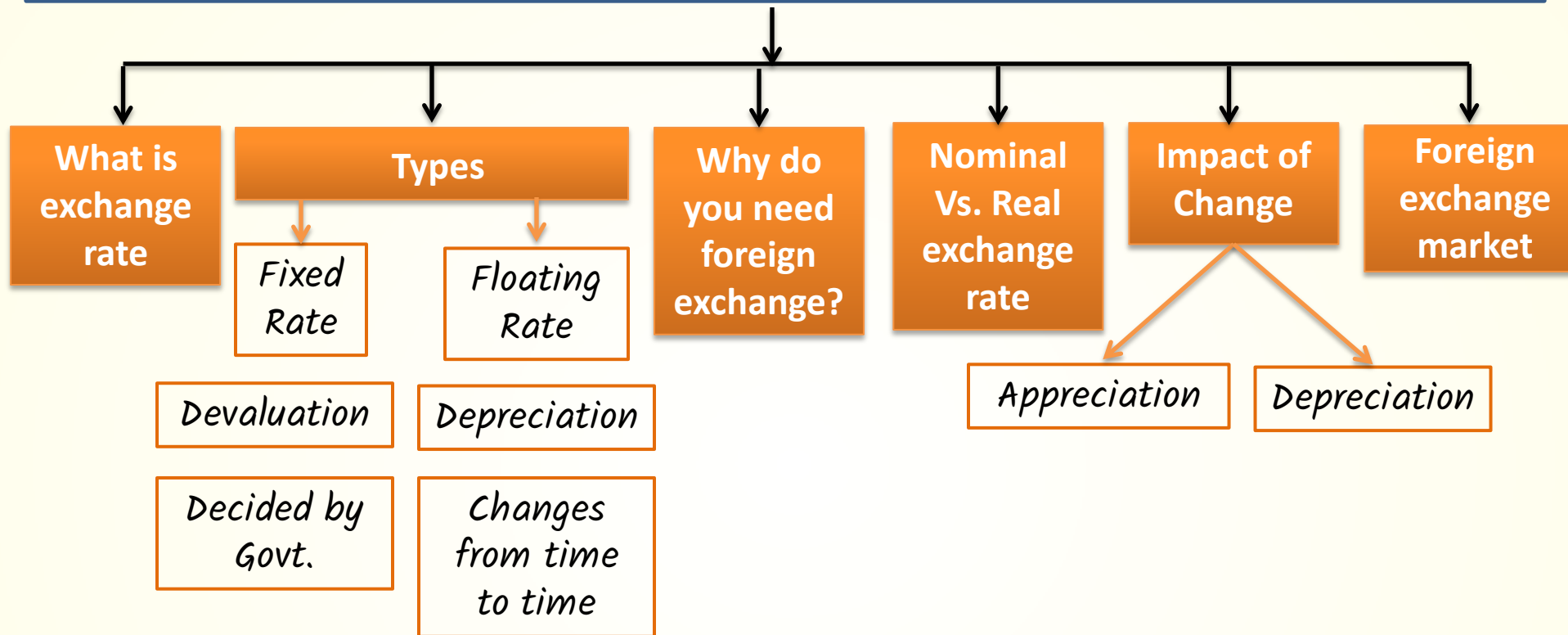
Non-technical Measures

- *Import Quotas*
- *Price Control Measures*
- *Non-automatic Licensing and Prohibitions*
- *Financial Measures*
- *Measures Affecting Competition*
- *Government Procurement Policies*
- *Trade-Related Investment Measures*
- *Distribution Restrictions:*
- *Restriction on Post-sales Services:*
- *Administrative Procedures*
- *Rules of origin*
- *Safeguard Measures*
- *Embargos*

Chapter 4 - Unit 3 – Trade Negotiations



Chapter 4 - Unit 4 – Exchange Rate and Its Economic Effects



Unit 5 - International Capital Movements

A) Types of Foreign Capital

C) Foreign Portfolio Investment (FPI)

E) Modes of Foreign Direct Investment (FDI)

G) Potential Problems Associated with FDI

B) Foreign Direct Investment (FDI)

D) Reasons for Foreign Direct Investment

New
- IKAI

Old
- Walmart & Flipkart

F) Benefits of Foreign Direct Investment