

23/10/24

Q.1 - Q.4 Answer

## Unit-1 - National Income

- ★ GDP not include the disutility of loss of leisure time.
- ★ GDP not include positive & negative externalities.
- ★ Recovery  $\neq$  growth.
- ★  $P \times Q \Rightarrow GDP$
- ★ Real GDP never change with change in price
- ★ Real GDP changes when output change.
- ★ Nominal GDP will change with change in price & change in output.
- ★ Real GDP is also known as GDP at constant price.
- ★ GDP at current year price is known as Nominal GDP.
- ★ Real GDP change with output only.
- ★ Nominal GDP change with both price & output.
- ★ Price Index & GDP Deflator of Real GDP  $\times 100$   
Nominal GDP
- ★ GDP deflator is use to calculate Increase or decrease in price level.

100 se factot increase or  
↓ decrease hua hai.

Eg. → GDP Deflator ⇒ 102 → 2% ↑ price level.

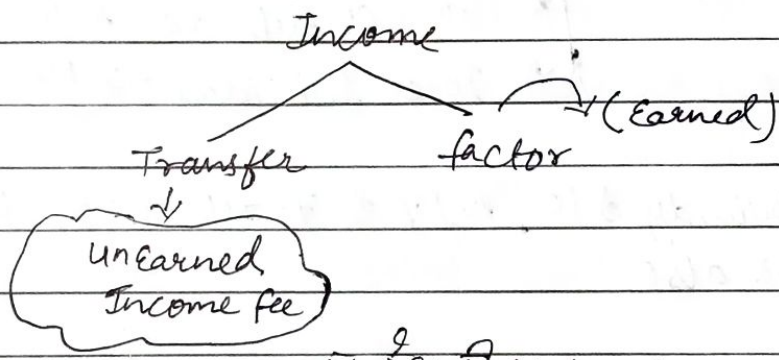
↓  
97 → 3% ↓ price level

100 ⇒ No change in price level  
↓ ⇒ Base year

- ★ Base year GDP deflator will be always ⇒ 100.
- ★ GDP Deflator is also called price index.

★ Inflation Rate in % GDP Deflator in year 2 - GDP deflator in year 1 × 100  
year 2

Eg. → 
$$\frac{P.I_{2017} - P.I_{2016}}{P.I_{2016}} \times 100$$



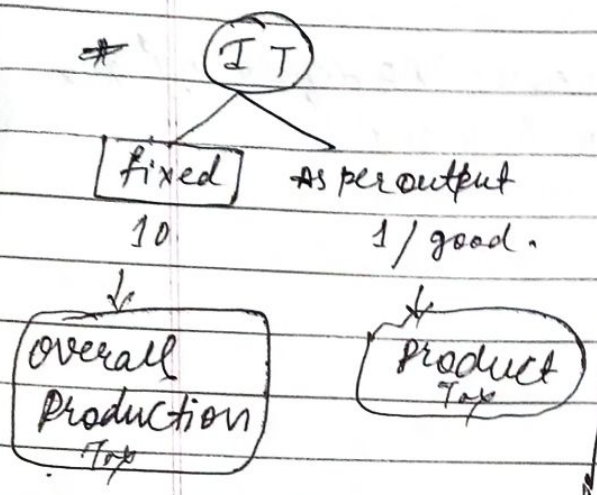
- ★ Transfer income को गैर की National Income Count करने में कोई use होना नहीं है।
- ★ Transfer Income is one-side income; i.e., unilateral concept. & factor income is bilateral concept.

# MP ⇒ Factor cost <sup>(11)</sup> → Cost incurred to make an item for use/sell.  
 (+) Indirect tax → 5  
 (-) Subsidies → 2  
 [14] → Market price

- ★ NIT & IT - Subsidies
- ★ MP & FC + NIT. ★ FC & MP - NIT.
- ★ GDP at FC & GDP<sub>FC</sub>

★  $GDP_{FC} + NIT \rightarrow GDP_{MP}$   
 $\rightarrow 100 + 15 \rightarrow 115.$

★  $GDP_{MP} - NIT \rightarrow GDP_{FC}$



- ★ Production Tax & 5
- ★ Product Tax & 2
- ★ Indirect Tax & 7
- ★ Production Subsidy & 6
- ★ Product Subsidies & 4
- ★ Total Subsidies  $\rightarrow$  10

★ IT & 7, Subsidy & 10, NIT & 7 - 10 & -3, it may be In negative also.

★  $GDP_{FC} + NIT \rightarrow GDP_{MP}$   
 $\rightarrow 100 + (-3) \rightarrow 97$

Depreciation  
 OR  
 Consumption of fixed Capital  
 or  
 Current Replacement Cost.

- \* Gross value & Original value - ~~Value~~ value ki goods thi.
- \* Net value & value getting after deducting depreciation
- \* Gross - Net & Depreciation.
- \* Gross & Net + Depreciation.
- \*  $GDP - Dep. \Rightarrow NDP$
- \*  $GDP \Rightarrow NDP + Dep$
- \*  $GDP + NIT - Dep \Rightarrow NDP_{MP}$
- \* MP में से NIT less kenge to FC milega.

Q.  $GDP_{MP} \Rightarrow 100$ ,  $Dep \Rightarrow 40$ ,  $NIT \Rightarrow 10$   
 Sol)  $NDP_{FC} \Rightarrow GDP_{MP} - NIT - Dep$   
 $\Rightarrow 100 - 40 - 10 \Rightarrow$   
 $NDP_{FC} \Rightarrow 50 Ans$

- # The income which is earned from abroad by giving factor services is known as factor income from Abroad [FIFA]
- # The income which is paid after taking factor services is known as factor income paid to abroad. [FITA]

\* NFIA & FIFA - ~~FITA~~ FITA  
 $60 \Rightarrow 100 - 40$

# Domestic + NFIA & National.

# Gross - Dep & Net

# factor cost + (IT - subsidies) & Market price  
 OR

factor cost + (NIT) & Market price

# Domestic + NFIA & National

#  $NNP_{fc} + NIT - NFIA + Dep \Rightarrow GDP_{mp}$

#  $GDP_{mp} \Rightarrow GDP_{fc} + NIT + NFIA$  }  $NIT \Rightarrow IT - Subsidies$

$\Rightarrow 3000 + 180 + 200$

$\Rightarrow 3380 \text{ Rs}$

#  $GDP_{mp} \Rightarrow GDP_{mp} + NFIA$

# Domestic Income  $\Rightarrow NDP_{fc}$

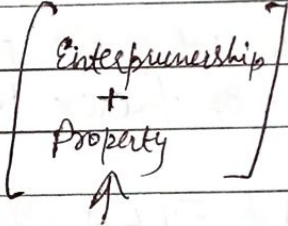
# National Income  $\Rightarrow NNP_{fc}$

#  $NNP_{fc} \Rightarrow NDP_{fc} + NFIA$

#  $NDP_{fc} + (FIFA - FITA)$

$NNP_{fc} \Rightarrow NDP_{fc} + NFIA$

# Income Method :-



1)  $NDP_{fc} \Rightarrow$  Comp. of Employees + operating Surplus + Mixed income of Self Employed.

2)  $NNP_{fc} \Rightarrow NDP_{fc} + NFIA$

Eg  $\rightarrow$   $NDP_{fc} \Rightarrow 1200 + 1820 + 700 \Rightarrow 3720$

$\& NNP_{fc} \Rightarrow 3720 + 20 \Rightarrow 3740 \text{ Rs}$

- \* Gross is ~~smaller~~ <sup>greater</sup> than Net.
- \* Domestic is smaller than National.
- \* MP is greater than FC.

★	Annual
	Debit
	Profit

★ If operating surplus is not given :-

Then add, Rent, Interest, Royalty, Profit.

Profit  $\Rightarrow$  Corporate Tax (C) + Dividend + Undistributed Profit. or Corporate Surplus.

$GDP_{MP} \Rightarrow NOP_{FC} + Dep + NIT$

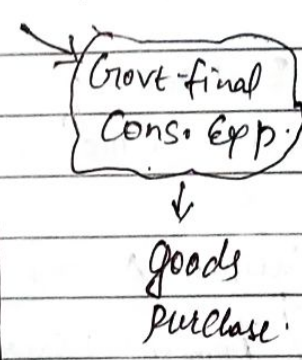
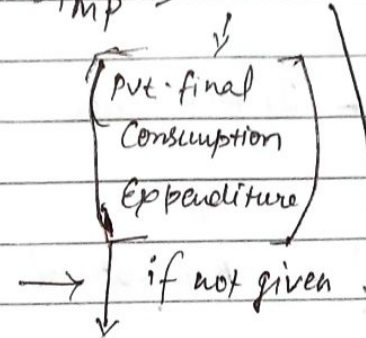
Expenditure Method

\* Known as income Disposable Method :-

(1)  $GDP_{MP} \Rightarrow$  Aggregate Exp.<sup>n</sup>

(2)  $NNP_{FC} \Rightarrow GDP_{MP} - Dep + NFTA - NIT$

(3)  $GDP_{MP} \Rightarrow C + I + G + N_x$



Net Export  $\Rightarrow X - M$

if Net Import  $\Rightarrow 20$   
 $N_x \Rightarrow -20$   
 ↳ change sign.

(1) Household Exp.<sup>n</sup>

+ (2) Non-profit Exp.<sup>n</sup>

Gross Domestic Capital formation  
 GDCF

or  
 [Investment Exp.]

★  
 ① ~~NDP~~ Net Domestic Cap. formation + Dep. of I.  
NDCF + Dep of I

② GFCF + Δ Stock ⇒ I  
 ↓ ↓  
 gross fix

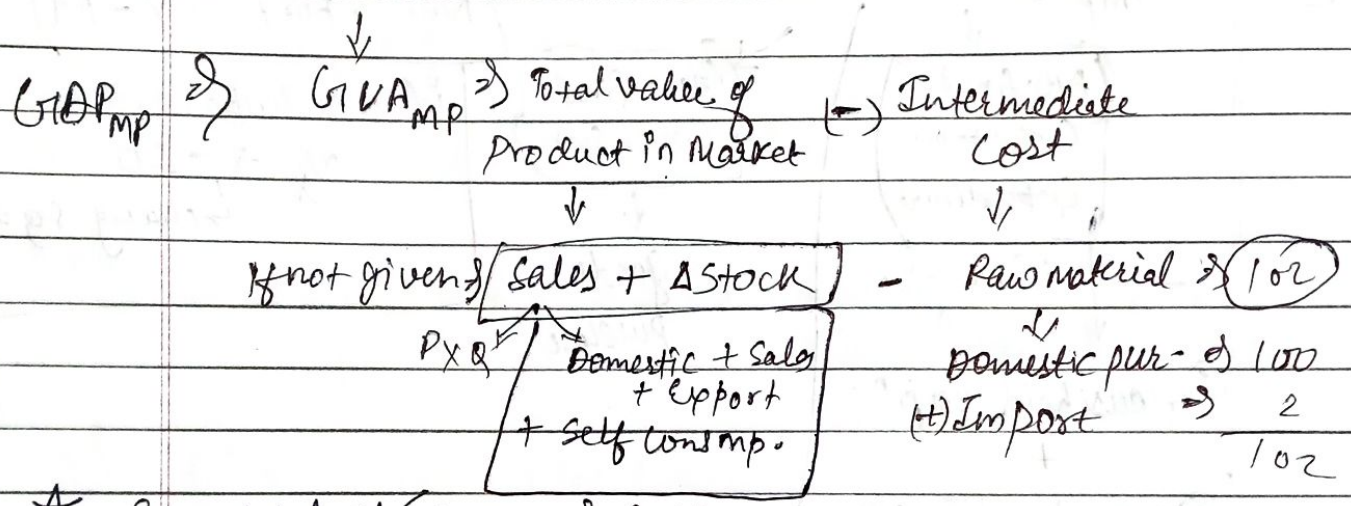
Δ Stock  
 ↓  
 Inventory Inv.  
 ⇒ closing - open. Inv.

③ GFCF + Δ Stock + Net Acquisition of I  
 ↓  
 gross

of valuable  
 ↳ Gold, diamonds

④ NDCF + ~~gross~~ Dep + Investment  
 ↓ ↓  
 Net fix

### # Value Added Method :-

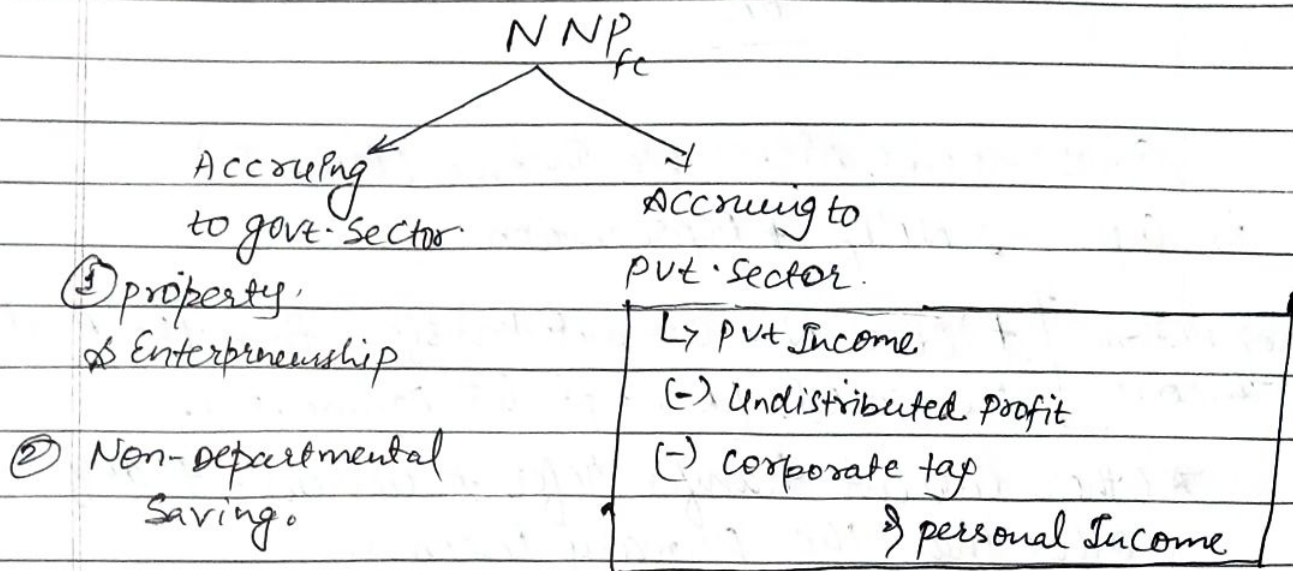


★ Sum total of  $\Sigma GVA_{mp} \Rightarrow GDP_{mp}$

★  $NNP_{pc} \Rightarrow GDP_{mp} - Dep. + NFIA - NIT$

★  $NIT \Rightarrow IT - Subs.$   
Excise Tax

\* Mixed income of self-employed means combined factor payment which are not distinguished.



\* Personal Income ⇒

(-) Personal Taxation

(-) Non-Tax payment i.e, fee, penalty, fines to govt

⇒ Disposable personal Income.

#  $NDP_{fc} + NFIA \Rightarrow NNP_{fc}$

# Net National Disposable Income (NNDI)

⇒ Net National Income (NNI)

(+) Other net current transfer from Rest of world.

OR

Net National Disposable Income (NNDI)

⇒ Net National Income

(+) Net taxes on income & wealth Receivable from abroad

(+) <sup>Net</sup> Social contribution & benefits Receivable from abroad.



\* Gross National Disposable Income (GNDI)  
→  $NNDI + CFC + \text{Depreciation}$

OR

Gross National Disposable Income (GNDI)

→  $GNI + NNP_{FC} + \text{Depreciation}$

[Gross National Income] (+) Other Net current transfer from the Rest of the world (Receipt less payment).

\* Other current transfer refer to current transfer other than the primary incomes.

### Who calculates National Income

\* Ministry of Statistic & Programme Implementation (MOSPI)



Central Statistics office (CSO)



National Accounts Statistics (NAS)

