

Created By rebel saiye

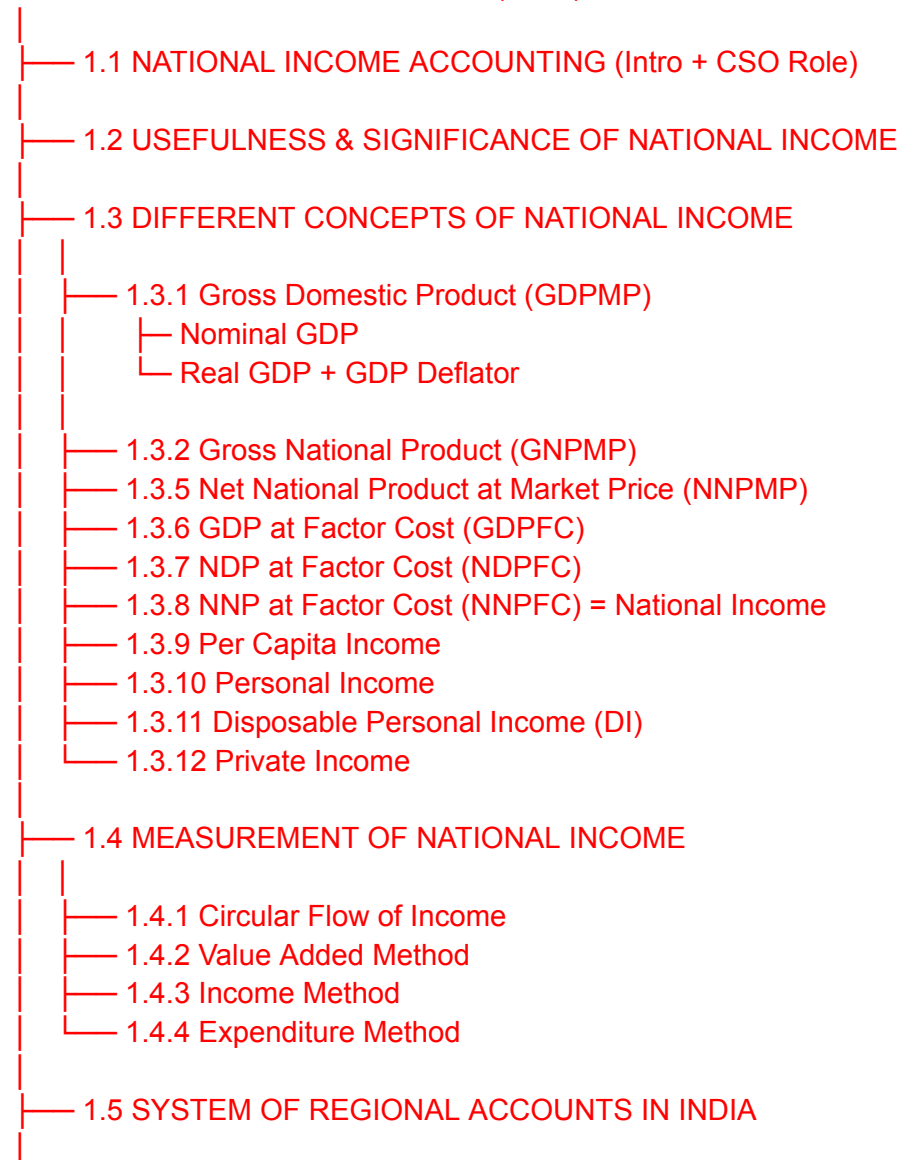
Chapter 6: Determination of National Income

UNIT - 1: NATIONAL INCOME
ACCOUNTING

STORY FORMATE

CHART ABOUT TOPIC

NATIONAL INCOME ACCOUNTING (CH-6)



- 1.6 GDP AND WELFARE (GDP ≠ True Welfare)
- 1.7 LIMITATIONS & CHALLENGES IN NATIONAL INCOME COMPUTATION

Concept 1.1 – National Income Accounting

1. ICAI Original Definition (Page 6.2):

> National Income Accounting, pioneered by the Nobel prize-winning economists Simon Kuznets and Richard Stone, is the system of macro-economic accounts from the stage of production of goods and services to the stage of their final disposal.

Like any other accounting system, the national income accounts first define concepts and then construct measures corresponding to these concepts.

National Accounts help us to understand how the various transactions from the stage of production to final disposal are interrelated and give us an idea of the working of an economy.

It helps to meet the needs of Government, private analysts, policy makers, and decision takers.

2. KING-Style Emotional Storyline (Rise Format):

> Ek desh tha – Bharatvarsh. Desh to tha zameen par, par uski economy ka koi hisaab–kitab hi nahi tha.

Raja confused tha:

“Kya banta hai mere desh me? Kisne banaya? Kisne kharida? Aur kitne paise me?”

Tab aayi ek shaktishaali Rani — naam tha "NI Accounting"

Rani boli:

> “Jab tak desh ka production, income aur expenditure ka record nahi banega,
Tab tak desh sirf andhere me raasta dhoondta rahega.”

Usne har transaction ko capture kiya —
Kisne kitna banaya, becha, khud consume kiya, aur kis level pe kya paisa ghooma!

Aur tab jaake Bharatvarsh ko ek economic dimaag mila.

Rani ne bola:

> “Main hoon National Income Accounting —
Main hi bataungi ki desh sach me grow kar raha hai ya bas dekhawa hai!”

Aur wahi se Bharat ne apne vikas ka raasta tay kiya — data ke dum pe!

3. Memory Trick:

"NI Accounting = Economic Mirror"

Yaad rakhne ki line:

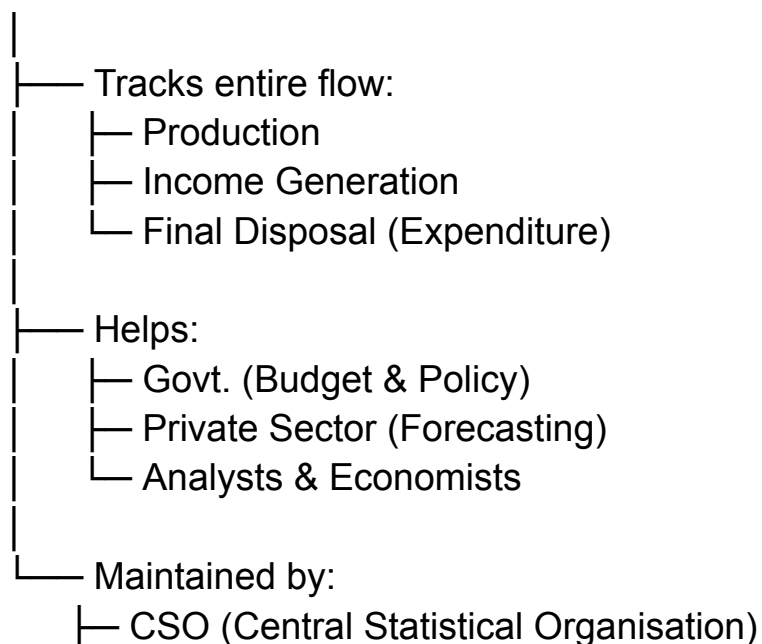
 "Jo dikh raha hai GDP me, wo sach ka chhaya hai NI ke mirror me!"

4. Punchline (Filmy Dialogue):

> "Accountant to har business me hota hai, par jab desh accountant rakhta hai — usse kehte hain National Income Accounting!"

5. Flow Chart – Basic National Income Accounting Idea

NATIONAL INCOME ACCOUNTING



└ State DES (Directorate of Economics & Statistics)

? 6. Practice Questions (MSQ Style):

Q1. Who pioneered National Income Accounting?

- a) Adam Smith
- b) Richard Stone & Simon Kuznets
- c) Marshall
- d) Keynes

✓ Answer: (b)

Q2. Which of the following is NOT a function of National Income Accounting?

- a) To track financial frauds
- b) To measure production & income
- c) To help policy makers
- d) To understand interlinked economic activities

✓ Answer: (a)

Q3. National income accounts are prepared for:

- a) Public only
- b) Government only
- c) Government, analysts, policymakers
- d) None of the above

✓ Answer: (c)

Q4. CSO works under:

- a) Ministry of Home Affairs
- b) Ministry of Commerce
- c) Ministry of Statistics & Programme Implementation
- d) Finance Commission

✓ Answer: (c)

Q5. State-level national income is compiled by:

- a) SEBI
- b) State Governments
- c) State DES
- d) Reserve Bank

✓ Answer: (c)

Concept 1.2 – Usefulness & Significance of National Income Estimates

✓ 1. ICAI Original Definition (Copy-Paste Style):

> National income accounts are fundamental aggregate statistics in macroeconomic analysis and are extremely useful, especially for the emerging and transition economies.

They help:

Businesses to forecast future demand

Government to analyse sectoral contribution & policy planning

International comparisons for loans, aid, and trade

Macroeconomic modelling & policy assessment

Understanding income distribution and inequalities

Evaluation of fiscal health, inflation control, and growth

Integrated with financial & monetary data to guide overall economic strategy

2. KING-Style Emotional Storyline (Deshbhakti + Emotion)

> Ek time tha jab Bharat kisi se loan lene jaata, to log kehte: “Tumhare paas kya proof hai growth ka?”

Desh ne sir uthake jawab diya:

> “National Income accounts mere paas hai.
Ye meri economy ka report card hai!”

Fir kisi industry ne bola: “Agle saal production badhayein ya nahi?”
NI account bola:

> “Dekho kis sector ka contribution badh raha hai – fir decision lo.”

Fir policymaker aaya:
“Mujhe pata lagana hai ki garib kitne gareeb ho gaye hain.”
NI report fir bola:

> “Distribution of income dekh, inequality ka graph samajh.”

Fir international agency aayi: “Tumhara standard of living kya hai?”

Aur Bharat ne NI estimate ka file table pe rakh diya –
Jisme likha tha GDP, GNP, inflation rate, and welfare indicators.

> National Income Report ne kaha:

> “Main sirf numbers nahi... main desh ki awaaz hoon!” 🔥



3. Memory Trick:



NI Estimate = 4 Ka Power Tool

G – Govt policies

B – Business forecasting

C – Comparison (Global)

M – Macro Modelling



Trick Line:

"NI = Government ka GPS, Business ka Binocular, Aur Bharat ka Barometer!"

4. Punchline (Filmy Dialogue Style):

> "Report card school me hota hai student ka...
Par economy ka report card hota hai National Income Estimates!"

5. Flow Chart – Usefulness of NI Estimates

USEFULNESS OF NATIONAL INCOME ESTIMATES



6. 5 Practice MSQ Questions (ICAI Style)

Q1. National income estimates help in:

- a) Budget preparation only
- b) Production of goods
- c) Sectoral analysis & policy planning
- d) Voting trends

 Answer: (c)

Q2. Which of the following is NOT a use of NI estimates?

- a) Tracking income inequality
- b) Knowing voter population

- c) International economic comparison
- d) Inflation and fiscal evaluation

✓ Answer: (b)

Q3. National Income Accounts assist:

- a) Only government
- b) Only businessmen
- c) Only students
- d) All key economic decision makers

✓ Answer: (d)

Q4. International institutions use NI data to:

- a) Track crime rate
- b) Evaluate loan eligibility
- c) Conduct elections
- d) Monitor forests

✓ Answer: (b)

Q5. Which of the following is a feature of NI estimate?

- a) Helps analyse fiscal deficit
- b) Helps count GDP per capita only
- c) Prevents corruption
- d) Records foreign travel

✓ Answer: (a)

👑 Concept 1.3.1 – Gross Domestic Product (GDPMP)

> Includes: Nominal GDP, Real GDP & GDP Deflator

✓ 1. ICAI Original Definition (Copy-Paste Style):

> Gross Domestic Product (GDP) is the value of all final goods and services produced in the country within a given period.

It includes goods like houses, mobiles, and services like telecom, insurance, etc.

Each output is valued at market price and added together to get GDP at Market Price (GDPMP).

♦ Nominal GDP:

> Measures GDP at current prices – includes both increase in production and prices over time.

♦ Real GDP:

> Measures GDP at constant prices (base year) – removes the impact of inflation.

Formula:

🧠
$$\text{Real GDP} = (\text{Nominal GDP} \div \text{GDP Deflator}) \times 100$$

- ◆ GDP Deflator:

> A price index used to convert nominal GDP to real GDP.

Formula:


$$\text{GDP Deflator} = (\text{Nominal GDP} \div \text{Real GDP}) \times 100$$

> Deflator = 100 in base year

Deflator > 100 = inflation

Deflator < 100 = deflation

2. KING-Style Emotional Storyline (Hero vs Illusion Style)

> Ek rajya tha – Arthashastra Desh

Us desh me sab log kehte the:

“Hamari GDP badhti ja rahi hai... desh tarakki kar raha hai!”

Par ek King Economist bola:

> “Wait! Tum sirf numbers dekh rahe ho... par asli growth ya illusion?”

Tab aayi Teen Shaktiyan:

- > ♦ Nominal GDP – “Main dikhati hoon saare paise... par mujhme price ka jadoo bhi chhupa hai!”
- ♦ Real GDP – “Main sach batati hoon — production ki asli growth!”
- ♦ GDP Deflator – “Main woh magic lens hoon jo price ka illusion hata deta hai!”

> Raja ne kaha:

> “Desh ka asli vikas samajhna hai to in teeno ki pooja karo –
Nominal batayega kitna paisa bana,
Real batayega kitna asli production hua,
Aur Deflator batayega ke price ka bhoot kitna tha!”

💡 3. Memory Trick:

🎯 Trick: “NRD = Nominal, Real, Deflator”

Line:

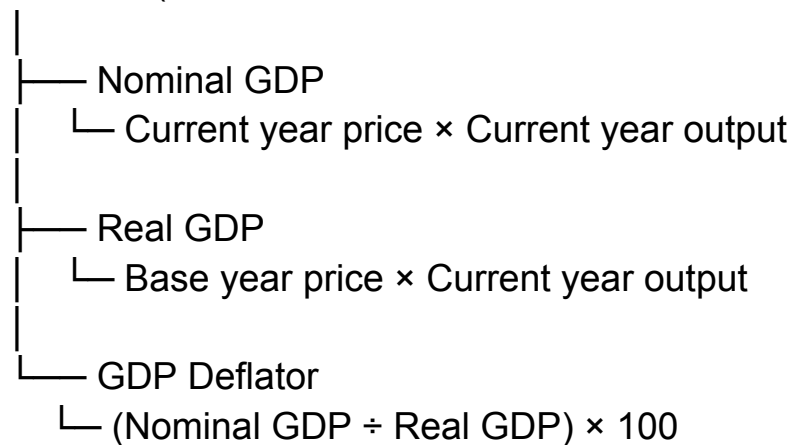
🧠 “Nominal me paisa dikhta hai, Real me asal samjhta hai, Deflator me price ka raaz chhupa hai!”

4. Punchline (Filmy Dialogue):

> “Jab tak price ka bhoot nahi hataoge, growth sirf ek illusion hai!”

5. Flow Chart – GDP Variants

GDPMP (Gross Domestic Product at Market Price)



6. Numerical Example (ICAI Style):


Q: Nominal GDP = ₹ 3,000 Cr

Real GDP = ₹ 4,700 Cr

Find GDP Deflator & comment.

 Formula:

$$\text{GDP Deflator} = (3000 / 4700) \times 100 = 63.83$$

 Interpretation: Price level has fallen since deflator < 100.

7. 5 MSQ Questions (ICAI Style)

Q1. Real GDP is calculated using:

- a) Current prices
- b) Future prices
- c) Constant prices
- d) All prices

☒ Answer: (c)

Q2. If GDP deflator is 130, it shows:

- a) Deflation
- b) Price level = base year
- c) Inflation of 30%
- d) Growth in population

☒ Answer: (c)

Q3. GDP Deflator formula is:

- a) $\text{Real GDP} \times 100 \div \text{Nominal GDP}$
- b) $\text{Nominal GDP} \times 100 \div \text{Real GDP}$
- c) $\text{Real GDP} \times \text{Real Price} \div \text{Quantity}$
- d) None

☒ Answer: (b)

Q4. Real GDP < Nominal GDP means:

- a) Negative production
- b) Inflation present
- c) Deflation
- d) Output increased

✓ Answer: (b)

Q5. Which GDP is most accurate for comparing economic growth over time?

- a) Nominal GDP
- b) Real GDP
- c) GNP
- d) Disposable Income

✓ Answer: (b)

👑 Concept 1.3.2 – Gross National Product at Market Price (GNPMP)

> Involves: GDPMP + NFIA

✓ 1. ICAI Original Definition (Copy-Paste Style):

> GNPMP refers to the money value of all final goods and services produced by the normal residents of a country during an accounting year, inclusive of net factor income from abroad (NFIA).

📌 Formula:

$$\text{GNPMP} = \text{GDPMP} + \text{NFIA}$$

> $\text{NFIA} = \text{Factor income earned by residents abroad} - \text{Factor income paid to non-residents in the domestic territory.}$

> In case NFIA is positive, $GNPMP > GDPMP$

In case NFIA is negative, $GNPMP < GDPMP$



2. KING-Style Emotional Storyline (Deshbhakti + Family Feels)

> Ek desh tha – BHARAT, jo khud ke ghar (Domestic Territory) me bohot kuch produce karta tha.

Lekin uske kuch desh vaasi foreign me bhi kama rahe the.

Raja ne poocha:

> “Hamare desh ke asli log duniya bhar me kama rahe hain — kya unki kamai bhi hamari economy ka part hai?”

Tab aayi ek Yodha Economist – usne kaha:

> > “Haan Maharaj! GDP to ghar ki kamaai batata hai,
par GNP desh ke har beta–beti ki global kamaai ko jodta hai!”

> Aur tab bana GNPMP — jisme joda gaya NFIA ka jaadu.

> 🧑🌾 Farmer Bharat me kaam karta – GDP me aata

👩 Doctor UK me kaam karta – NFIA se GNP me jodta

👤 Foreign ka engineer India me kamaata – uska paisa GDP se minus hota NFIA me

> 🔥 Aur Rani ne kaha:

> “Jaha bhi hamare log mehnat kar rahe hain — uska respect hona chahiye GNP me!”

💡 3. Memory Trick:

🎯 “GNP = GDP + NFIA”


Trick line:

> “Desh ka GDP andar se, par GNP poore vishwa me humara!”

NFIA yaad rakhne ki line:

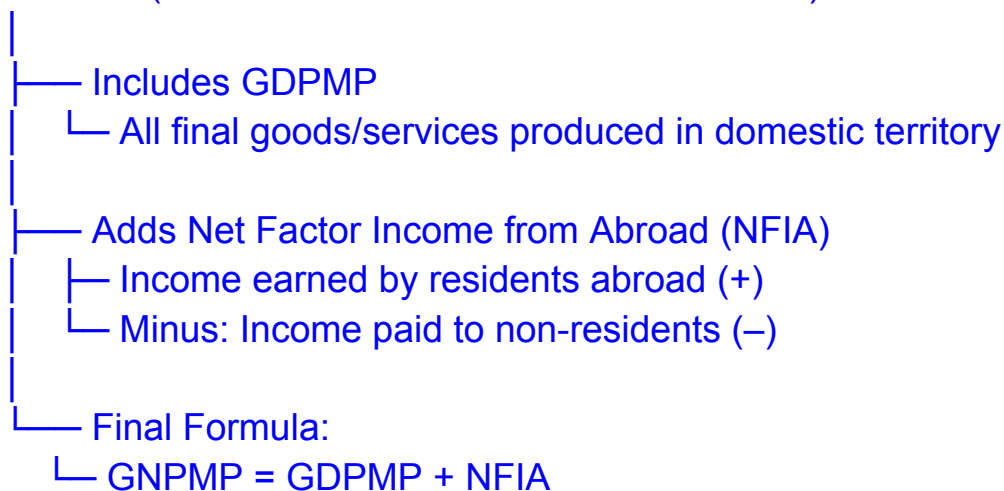
> “Bahar se aaya paisa – minus gaya foreign ka paisa = NFIA”

4. Punchline (Filmy Line):

> “Sirf ghar ke paiso se ghar nahi chalta –
Videsh me jo kama ke bhejte hain, wo bhi apne hote hain!” 

5. Flow Chart – GNP Concept

GNPMP (Gross National Product at Market Price)



6. 5 Practice MSQ Questions (ICAI Style)

Q1. GNPMP includes:

a) Income of non-residents in India

- b) Income of Indian residents abroad
- c) All domestic income only
- d) None

✓ Answer: (b)

Q2. If NFIA is negative, then:

- a) $GNP > GDP$
- b) $GDP = GNP$
- c) $GNP < GDP$
- d) NFIA has no impact

✓ Answer: (c)

Q3. NFIA stands for:

- a) Net Fixed Income Abroad
- b) Net Foreign Institutional Assets
- c) Net Factor Income from Abroad
- d) Net Financial Income Analysis

✓ Answer: (c)

Q4. Income paid to non-residents is:

- a) Added in GDP
- b) Subtracted in NFIA
- c) Added in GNP
- d) Ignored

✓ Answer: (b)

Q5. GNP is useful in measuring:

- a) Territory-based output
- b) Income of all people living within country
- c) Economic strength of citizens globally
- d) Import value

✅ Answer: ©

👑 Concept 1.3.5 – Net National Product at Market Price (NNPMP)

✅ 1. ICAI Original Definition (Copy-Paste Style):

> NNPMP refers to the net market value of all final goods and services produced by the normal residents of a country during an accounting year.

It is obtained by subtracting depreciation from Gross National Product at Market Price (GNPMP).

📌 Formula:

$$\text{NNPMP} = \text{GNPMP} - \text{Depreciation}$$

> Depreciation = Reduction in value of fixed capital assets due to wear & tear, obsolescence, etc.

NNPMP measures net production done by nationals without including capital consumption.

2. KING-Style Emotional Storyline (Feel: Mehnat ka Asli Moolya)

> Imagine ek Desh – jahan log din-raat mehnat karte hain.
Ghar, car, factory – sab produce ho raha hai.
GNPMP dikhata hai: “Wow! Itna kuch ban gaya!”

Lekin ek Maha Guru Economist bolta hai:

> “Yeh sab production ke peeche ka toot-phoot (depreciation) bhi dekha kya?”

Aur tab samjha desh —

> “Asli income wahi hoti hai jo production bacha rahe, after loss.”

Tab bana NNPMP – jisme depreciation hata ke bataya gaya,
"Desh ki asli saal bhar ki net kamaai kitni hai!"

> Desh ka Raja bola:

> “Jo asset ghis gaya, usse income mat samjho.
Jo bacha, wahi hamara hai – wahi hai NNPMP!”

3. Memory Trick:

$$\text{🎯 NNPMP} = \text{GNPMP} - \text{Depreciation}$$

Line to yaad rakh:

> “GNP to dikhawe ka show hai,
NNPMP me asli paisa flow hai!”

4. Punchline (Filmy Dialogue Style):

> “Jo ghis gaya wo kharcha tha,
Jo bacha, wahi kamaai hai!”

5. Flow Chart – NNPMP Formula

GNPMP (Gross National Product at Market Price)

↓ Minus

Depreciation (Wear & tear of machines, buildings, etc.)



NNPMP (Net National Product at Market Price)



Use: Shows actual economic contribution of nationals after deducting capital loss.



6. 5 MSQ Questions (ICAI Style)

Q1. NNPMP is derived by subtracting:

- a) Direct taxes
- b) Depreciation
- c) Imports
- d) Government Expenditure



Answer: (b)

Q2. What does depreciation represent?

- a) Imports of foreign goods
- b) Capital appreciation
- c) Consumption of fixed capital
- d) Fall in demand



Answer: (c)

Q3. If GNPMP = ₹1000 Cr and Depreciation = ₹200 Cr, then NNPMP = ?

- a) ₹800 Cr
- b) ₹1200 Cr
- c) ₹1000 Cr
- d) ₹200 Cr



Answer: (a)

Q4. NNPMP includes:

- a) Capital loss
- b) Capital consumption
- c) Net national income after depreciation
- d) Subsidy adjustment

✓ Answer: (c)

Q5. Which of the following is true?

- a) $NNPMP = GDPMP - \text{Depreciation}$
- b) $NNPMP = GNPMP - \text{Depreciation}$
- c) $NNPMP = GNPFC - \text{Net Taxes}$
- d) $NNPMP = GDPFC - NFIA$

✓ Answer: (b)

👑 Concept 1.3.6 – Gross Domestic Product at Factor Cost (GDPFC)

✓ 1. ICAI Original Definition (Copy-Paste Style):

> GDP at factor cost (GDPFC) refers to the gross value of output produced within the domestic territory of a country, measured at factor cost, i.e., the cost of production paid to factors of production (wages, rent, interest, profit).

It excludes net indirect taxes (NIT) because they are not paid to factors of production.

📌 Formula:

$GDPFC = GDPMP - \text{Net Indirect Taxes}$

📌 Net Indirect Taxes (NIT) = Indirect Taxes – Subsidies



2. KING-Style Emotional Storyline (Truth Behind the Price)

> Ek rajya tha jahan log har saal production ka record banate the – GDPMP

Lekin ek Mahapurush ne pucha:

> “Jo paisa dikh raha hai market me, kya wo sach me kaam karne walon ko milta hai?”

Sab chup ho gaye.

Tab vo bola:

> “Market Price me to tax aur subsidy ka bhoot chhupa hota hai...
Par asal mehnat ka paisa hota hai – FACTOR COST!”

Us din se desh ne nikalna start kiya –
GDPMP me se tax ghata kar, subsidy jod kar,
Bana diya GDPFC – Mehnat ki asli keemat.

> Aur vo Mahapurush kehte rahe:

> “Market price dikhava hai, factor cost sach hai!”

💡 3. Memory Trick:

🎯 $\text{GDPFC} = \text{GDPMP} - \text{Indirect Taxes} + \text{Subsidies}$
OR

🎯 $\text{GDPFC} = \text{GDPMP} - \text{Net Indirect Taxes}$

Trick line:

> “Jo sarkar le leti hai (tax), use hatao...

Jo sarkar deti hai (subsidy), use jodo — tab jaake milti hai GDPFC!”

🎬 4. Punchline (Filmy Dialogue Style):

> “Tax se bhara price to sirf bill hota hai,
Mehnat ki asli keemat to factor cost hoti hai!”

📊 5. Flow Chart – GDPFC Formula

GDP at Market Price (GDPMP)

|

└─ Minus Indirect Taxes (like GST, Excise, etc.)

└─ Plus Subsidies (Govt. support)
└─ = GDP at Factor Cost (GDPFC)

📌 GDPFC tells us how much was actually earned by the producers & workers.

? 6. 5 MSQ Questions (ICAI Style)

Q1. GDPFC measures:

- a) Only exports
- b) Earnings of foreign companies
- c) Income of factors of production in the domestic territory
- d) Population growth

✅ Answer: (c)

Q2. Net Indirect Taxes = ?

- a) Direct Tax – Subsidy
- b) Indirect Tax – Subsidy
- c) Subsidy – Indirect Tax
- d) None

✅ Answer: (b)

Q3. Which formula is correct?

- a) $GDPFC = GDPMP + NIT$
- b) $GDPFC = GDPMP - NIT$
- c) $GDPFC = GNPMP + NIT$

d) GDPFC = GNPFC – NIT

✓ Answer: (b)

Q4. Which of these is NOT a factor of production?

a) Wages

b) Rent

c) Indirect Tax

d) Interest

✓ Answer: (c)

Q5. Government subsidies are:

a) Added in GDPMP

b) Ignored in GDPFC

c) Added while calculating GDPFC

d) Not included anywhere

✓ Answer: (c)

👑 Concept 1.3.7 – Net Domestic Product at Factor Cost (NDPFC)

> Known as: Domestic Income

Core concept for Income Method of National Income.


✓ 1. ICAI Original Definition (Copy-Paste Style):

> NDPFC refers to the net factor income earned by the factors of production within the domestic territory of a country during an accounting year.

It is obtained by deducting depreciation from GDPFC.

 Formula:

$$\text{NDPFC} = \text{GDPFC} - \text{Depreciation}$$

>  It includes:

Compensation of Employees

Operating Surplus (Rent + Interest + Profit)

Mixed Income of Self-Employed

 It excludes:

Net Factor Income from Abroad

Net Indirect Taxes

Depreciation

 2. KING-Style Emotional Storyline (Desh ke Andar ka Real Paisa)

> Ek time tha jab log sirf yeh dekhte the:
“Desh me total GDPFC kitni bani?”

Par fir RAJYA KA BUDDHIMAN MANTRI bola:

> “Desh ki asli kamaai wahi hai jo bacha ho after machines ghis jaayein...
Jo mehnat se mili ho, bina depreciation ke.”

Tab bana – NDPFC = Domestic Income

Desh ki maa boli:

> “Yeh vo paisa hai jo mere bacche desh ke andar kama rahe hain –
bina kisi machine ke loss ke!”

Farmer, Doctor, Engineer, Sab ki asli salary, rent, interest, profit aur
self-employment ka mila jula total = NDPFC

> Aur Raja ne kaha:

> “GDPFC to sab dikhate hain...
Par sirf NDPFC hi desh ki asli aukaat dikhata hai!”

💡 3. Memory Trick:

🎯 $\text{NDPFC} = \text{GDPFC} - \text{Depreciation}$

Trick line:

> “GDPFC to tha gross, depreciation ghatao – tab mile desh ka asli ‘income ka boss’!”

🎬 4. Punchline (Filmy Dialogue Style):

> “Jo machine ghis gayi wo kharcha tha...
Jo bacha, wahi desh ki kamaai hai – aur uska naam hai NDPFC!”

📊 5. Flow Chart – NDPFC Formula

Gross Domestic Product at Factor Cost (GDPFC)

↓ Minus

Depreciation (Capital Consumption)

↓

Net Domestic Product at Factor Cost (NDPFC)

↓

Also Known As: DOMESTIC INCOME

↓

= Compensation of Employees
+ Operating Surplus (Rent + Interest + Profit)
+ Mixed Income of Self-Employed

? 6. 5 Practice MSQ Questions (ICAI Style)

Q1. NDPFC is also known as:

- a) National Income
- b) Domestic Income
- c) Private Income
- d) Personal Income

✓ Answer: (b)

Q2. Which of the following is included in NDPFC?

- a) NFIA
- b) Subsidies
- c) Mixed Income
- d) Capital Gains

✓ Answer: (c)

Q3. NDPFC is obtained by:

- a) Adding Depreciation to GDPFC
- b) Subtracting Depreciation from GDPFC
- c) Subtracting NIT from GDPFC
- d) Adding Subsidies to GDPFC

✓ Answer: (b)

Q4. Which of the following is NOT included in NDPFC?

- a) Compensation of Employees
- b) Operating Surplus
- c) Indirect Taxes
- d) Mixed Income

✓ Answer: (c)

Q5. If GDPFC = ₹1500 Cr and Depreciation = ₹300 Cr, NDPFC = ?

- a) ₹1800 Cr
- b) ₹1200 Cr
- c) ₹1500 Cr
- d) ₹300 Cr

✓ Answer: (b)

👑 Concept 1.3.8 – Net National Product at Factor Cost (NNPFC)

Also Called: 700 National Income

✓ 1. ICAI Original Definition (Copy-Paste Style):

> NNPFC refers to the net factor income earned by normal residents of a country during an accounting year.

It is the sum of all incomes earned by factors of production (wages, rent, interest, profit) belonging to normal residents, measured at factor cost.

📌 Formula:

NNPFC = NDPFC + Net Factor Income from Abroad (NFIA)

✓ Or directly:

NNPFC = GNPMP – Net Indirect Taxes – Depreciation

🧠 What It Includes:

Compensation of Employees

Operating Surplus (Rent + Interest + Profit)

Mixed Income of Self-Employed

Only of Residents

At Factor Cost

After Depreciation

🎬 2. KING-Style Emotional Storyline (Desh ke Har Nagrik ki Kamai)

> Raja Bharat ke paas ek sawaal tha:

“Desh me kaun kitna kama raha hai — sab batao!”

Tab uske Gyaani Mantri ne bola:

> “Rajan! Humara NDPFC to sirf desh ke andar ki income batata hai...
Par kuch log videsh me bhi kama rahe hain.”

Raja ne fir hukum diya:

> “Desh ke har nagrik ki, chaahe wo London me ho ya Lucknow me —
Mehnat ki kamaai ko jod do!”

> Tab bana – $NNPFC = NATIONAL\ INCOME$

- ◆ Desh ke har naukar, kisan, doctor, engineer, self-employed...
- ◆ Har ek ki asli kamaai, ghatate hue machine value (depreciation) ke baad
- ◆ Aur foreign me kamaayi hui net income (NFIA) ke saath

> Aur Raja ne ghoshna ki:

> “Ye hai hamare desh ka asli swabhiman – $NATIONAL\ INCOME!$ ”

💡 3. Memory Trick:


🎯 $NNPFC = NDPFC + NFIA$


🎯 Also: $NNPFC = GNPMP - Net\ Indirect\ Taxes - Depreciation$

Line yaad rakh:

> “National Income me sirf desh nahi,
Par desh ke log duniya bhar me jo kamaayein, vo bhi shamil hote hain!”

 4. Punchline (Filmy Style):

> “Na tax ka tamasha, na market price ka drama —
Sirf asli income jo hamare log kamaayein — wahi hai NATIONAL
INCOME!” 

 5. Flow Chart – National Income (NNPFC)
NDPFC (Domestic Income)
+ Net Factor Income from Abroad (NFIA)
= NNPFC (National Income)

 6. 5 MSQ Questions (ICAI Style)

Q1. NNPFC is also known as:

- a) GDP
- b) National Income
- c) Disposable Income
- d) Private Income

 Answer: (b)

Q2. Which of the following is included in NNPFC?

- a) Subsidy
- b) Direct Taxes
- c) NFIA
- d) Capital Loss

☒ Answer: (c)

Q3. NNPFC excludes:

- a) Income from abroad
- b) Compensation of employees
- c) Operating surplus
- d) Net Indirect Taxes

☒ Answer: (d)

Q4. What is the correct formula?

- a) $NNPFC = NDPFC - NFIA$
- b) $NNPFC = GDPMP + Depreciation$
- c) $NNPFC = GNPMP - \text{Net Indirect Taxes} - Depreciation$
- d) $NNPFC = NDPFC - Depreciation$

☒ Answer: (c)

Q5. NFIA includes:

- a) Income paid to foreigners

- b) Income earned by residents abroad
- c) Both a and b
- d) None

✓ Answer: ©

👑 Concept 1.3.9 – Per Capita Income (PCI)

Also Called: Average Income per Person

✓ 1. ICAI Original Definition (Copy-Paste Style):

> Per Capita Income refers to the average income per person of a country in a given year.

It is calculated by dividing the National Income (NNPFC) by the total population of the country.

📌 Formula:

$$PCI = \text{National Income (NNPFC)} / \text{Total Population}$$

🎬 2. KING-Style Emotional Storyline (Ghar-Ghar Ki Aamdani)

> Ek baar Raja ne poocha:

> “Hamare desh ki National Income to hazaaron crore hai...
Par ek normal aadmi ki jeb me kitna paisa aata hai?”

> Tab aaya RAJYA KA BUDDHIMAN GURU – usne bola:

> > “Maharaj! Har ghar ka sach samajhna ho to desh ka kul paisa logon ke beech baantna padega.
Tab jaake milega asli Per Capita Income.”

> Raja ne order diya:

> “National Income ko total jan sankhya se divide karo...
Tabhi pata chalega ek aadmi ki aamdani kya hai!”

> Aur usi din se har saal banaya jaane laga PCI – Per Capita Income

> Logon ne kaha:

> “Ye hai hamara asli standard of living ka darpan!”

3. Memory Trick:

 $PCI = NNPFC / \text{Total Population}$

Trick line:

> “Desh ka paisa sab me baanto, tabhi to pata chale kisko kitna milta hai!”
Yaad rakhne ke liye: “PCI – Paisa Chhota Insaan ke liye”

4. Punchline (Filmy Style):

> “Desh ki aukaat GDP se nahi,
Aam aadmi ki jeb se pata chalti hai — that’s PCI!”

5. Flow Chart – PCI Concept

National Income (NNPFC)

↓ Divide by

Total Population

↓

= Per Capita Income (PCI)

 Tells us: Standard of living, how income is spread across population.

? 6. 5 Practice MSQ Questions (ICAI Style)

Q1. Per Capita Income is:

- a) National Income \times Population
- b) National Income / Population
- c) GDP \times Population
- d) Population / GDP

 Answer: (b)

Q2. PCI measures:

- a) Inequality in income
- b) Total tax income
- c) Average income per person
- d) Per household saving

 Answer: (c)

Q3. If NNPFC = ₹500 crore, Population = 10 crore, PCI = ?

- a) ₹5000
- b) ₹50
- c) ₹5
- d) ₹100

 Answer: (a)

Q4. PCI is a better indicator of:

- a) Economic inequality
- b) Population growth
- c) Individual standard of living
- d) Employment rate

✓ Answer: (c)

Q5. If PCI increases, it generally indicates:

- a) Population increase
- b) Decline in inflation
- c) Improvement in average living standard
- d) Decrease in national income

✓ Answer: ©

👑 Concept 1.3.10 – Personal Income (PI)

> Meaning: Total income actually received by individuals (households), whether earned or unearned.

✓ 1. ICAI Original Definition (Copy-Paste Style):

> Personal Income (PI) is the income actually received by individuals and households from all sources before payment of direct taxes.

It includes transfer incomes (like pension, scholarship, gifts, etc.), which are not included in National Income.

📌 Formula:

Personal Income = National Income

– Income earned but not received (e.g. undistributed profit, corporate tax, etc.)

+ Transfer Incomes (e.g. pension, scholarships, gifts)

🎬 2. KING-Style Emotional Storyline (Jeb me kitna aaya?)

> Ek Raja sabka income dekh kar bola:

> “Ye sab toh National Income hai... par ek insaan ki jeb me kya aaya?”

> Minister bola:

> “Rajan! Kuch paisa toh company ne profit me rakha, kuch tax me chala gaya...”

Par kuch paisa aise bhi mila jo kamaaya nahi — jaise pension, gifts, beeti ki scholarship.”

> Raja samjha:

> “Toh National Income me jo paisa nahi mila, vo hatao...
Aur jo mila bina kamaaye, vo jodo...
Tab milega asli Personal Income!”

> Aur tab se log jaane lage:

> “Desh kama raha ho ya nahi...
Par meri jeb me kya aaya – wahi hai PERSONAL INCOME!”

💡 3. Memory Trick:

🎯 $PI = NI - \text{Earned but not received} + \text{Transfer Incomes}$

Easy line yaad rakh:

> “PI = Pocket Income”

✚ Jo mila free me (transfer)

— Jo mila hi nahi (UD profits, tax)

4. Punchline (Filmy Style):

> “Desh kuch bhi kama le...
Par mere haath me kya aaya – wahi hai Personal Income!”

5. Flow Chart – Personal Income Formula

National Income (NNPFC)

- Undistributed Corporate Profits
- Corporate Taxes
- Social Security Contributions
- + Transfer Payments (Pensions, Gifts, Scholarships)
- = Personal Income (PI)

6. 5 Practice MSQ Questions (ICAI Style)

Q1. Personal Income includes:

- a) Undistributed profits
- b) Corporate tax
- c) Transfer incomes
- d) All of these

 Answer: (c)

Q2. Which of these is subtracted in Personal Income?

- a) Gifts
- b) Subsidies
- c) Direct Tax
- d) Undistributed Profits

✓ Answer: (d)

Q3. Transfer incomes are:

- a) Always earned
- b) Not included in NI
- c) Always taxed
- d) Included in GNP only

✓ Answer: (b)

Q4. PI differs from NI due to:

- a) Corporate sector income
- b) Transfer incomes
- c) Taxes
- d) All of the above

✓ Answer: (d)

Q5. Which of these is not earned income?

- a) Wages
- b) Scholarship
- c) Rent
- d) Profit

✓ Answer: (b)

👑 Concept 1.3.11 – Disposable Personal Income (DPI / DI)

> Also Called: Spending & Saving Wala Paisa

✓ 1. ICAI Original Definition (Copy-Paste Style):

> Disposable Personal Income is the personal income remaining with individuals after the payment of direct personal taxes (like income tax). It is the actual income available for spending and saving.

📌 Formula:

Disposable Income = Personal Income – Direct Personal Taxes

🎬 2. KING-Style Emotional Storyline (“Bachega kitna?”)

> Ek ghareeb kisan ne Raja se pucha:

> “Maharaj, humare haath me kitna paisa bachta hai roti kapda makan ke liye?”

> Raja ne Minister se bola:

> “Dekho, Personal Income to hai... par income tax bhi to dete hain!”

> Minister bola:

> “Rajan! Jo paisa tax me gaya, vo chala gaya government ke paas...
Jo bacha, wahi to asli paisa hai ghar chalane ke liye!”

> Raja ne tab bola:

> “Use kahenge – Disposable Income.
Jise aadmi kharch kare ya bachaaye – vo paisa uska asli adhikaar hai.”

> Tab se log samjhe:

> “PI milti hai sabko...
Par DI hi hoti hai zindagi jeene ki asli taaqat!”



3. Memory Trick:

🎯 DI = PI – Direct Taxes

Yaad rakh:

> "PI mila, Tax chala — jo bacha, vo DI bana!"

Aur ek easy trick:

DI = “Daily Income” for spending & saving

🎬 4. Punchline (Filmy Style):

> “Income to sabko milti hai...

Par zindagi to sirf us paiso se chalti hai jo haath me bacha rehta hai —
that’s DI!”

📊 5. Flow Chart – Disposable Income Formula

Personal Income

– Direct Taxes (like income tax)

= Disposable Personal Income (DI)

→ Used for:

- Consumption Expenditure
- Saving

📌 DI tells us how much money individuals actually have to spend and save after tax.

? 6. 5 Practice MSQ Questions (ICAI Style)

Q1. Disposable Income is calculated by subtracting:

- a) Indirect taxes
- b) Corporate tax
- c) Direct personal taxes
- d) Transfer payments

✓ Answer: (c)

Q2. DI is the income:

- a) Earned by corporates
- b) Available for government use
- c) Individuals can spend or save
- d) Before taxes

✓ Answer: (c)

Q3. If Personal Income = ₹500 Cr, Direct Taxes = ₹100 Cr, DI = ?

- a) ₹600 Cr
- b) ₹500 Cr
- c) ₹100 Cr
- d) ₹400 Cr

✓ Answer: (d)

Q4. Which of the following is not used to calculate DI?

- a) Personal Income
- b) Direct Taxes
- c) Corporate Profits
- d) None of these

✓ Answer: (c)

Q5. Disposable Income can be used for:

- a) Paying tax
- b) Importing goods
- c) Consumption & Saving
- d) Public Expenditure

✓ Answer: ©

👑 Concept 1.3.12 – Private Income

> Meaning: Total income received by private sector (individuals + private enterprises) from all sources, including earned & unearned, whether received or not.

✓ 1. ICAI Original Definition (Copy-Paste Style):

> Private Income refers to the income received by private sector (individuals and private enterprises) from all sources — whether earned or unearned, whether actually received or not.

It includes National Income, transfer incomes, undistributed corporate profits, and corporate taxes.

📌 Formula (ICAI Style):

> Private Income =
NNPFC

- + Transfer Incomes (pension, gifts, scholarships)
- + Undistributed Corporate Profits
- + Corporate Tax
- + Social Security Contributions by Employers

🎬 2. KING-Style Emotional Storyline (Ghar Ka Paisa)

> Ek baar Raja ne bola:

> “Hume desh ki Public Income pata hai... par batao ghar-ghar me private log kitna kama rahe hain?”

> Mantri bola:

> “Rajan! Jitna paisa National Income me dikh raha hai — usme se kuch paisa company ne apne paas rakha (UD profit), kuch tax bana diya, aur kuch paisa to free me mila (pension, gifts, etc.).”

> Raja samjha:

> “Toh jo paisa kisi bhi tareeke se private sector ke paas gaya —
chaahe mila ho ya abhi milna ho — sab mila kar banega Private Income!”

> Logon ne kaha:

> “Ye hai asli paise ki tasveer — jo paisa desh ke logon ne, directly ya
indirectly, hasil kiya ho!”



3. Memory Trick:

🎯 Private Income = PI + Corporate Tax + Undistributed Profit + Social
Security Contribution

Yaad rakh:

> "Private Income me sab kuch aata hai —
Jo mila, jo milega, aur jo mila bina maange!"

Trick line:

> “PI ke upar ka topping: tax, profit, pension – sab jod do, ban gaya PRIVATE INCOME!”

 4. Punchline (Filmy Style):

> “National Income to ek report hai...
Par Private Income hai asli ‘ghar ka budget’!”

 5. Flow Chart – Private Income Formula

NNPFC

- + Transfer Incomes
- + Corporate Tax
- + Undistributed Profits
- + Social Security Contribution
- = Private Income

 Tells us total income flowing into the private sector.

🌟 6. Practice Sums (ICAI Style)

Q1.

Given:

NNPFC = ₹12,000 Cr

Transfer Incomes = ₹400 Cr

UD Profits = ₹300 Cr

Corporate Tax = ₹500 Cr

SSC = ₹100 Cr

Find Private Income = ?

✅ Answer:

$12,000 + 400 + 300 + 500 + 100 = ₹13,300 \text{ Cr}$ ✅

Q2.

Which of these is not included in Private Income?

- a) Corporate Tax
- b) Transfer Incomes
- c) Indirect Tax
- d) UD Profits

✅ Answer: (c)

Q3.

Private Income includes:

- a) Government Salaries
- b) Corporate Profits not distributed
- c) Import Duty
- d) Subsidy

✓ Answer: (b)

Q4.

Private Income includes transfer incomes, which are:

- a) Earned income
- b) Unearned income
- c) Indirect income
- d) Black money

✓ Answer: (b)

Q5.

Which of the following is part of Private Income but not National Income?

- a) Operating Surplus
- b) Mixed Income
- c) Transfer Incomes
- d) Wages

✓ Answer: ©

👑 1.4.1 – Circular Flow of Income

> Itna kamao... jitna kharch ho!

Economy tabhi chalegi jab paisa round chalta rahega 🔄

✓ 1. ICAI Original Definition (Copy-Paste Style):

> Circular flow of income refers to the continuous movement of income and expenditure between different sectors (Household, Firm, Government, Foreign sector) in an economy.

Income earned by one sector is spent on the goods/services of another sector, creating a flow of income.

🔄 Types of Flows:

1. Real Flow

→ Flow of goods & services

→ From households to firms (labour) and firms to households (products)

2. Money Flow

→ Flow of income & expenditure (wages, rent, etc.)

2. KING-Style Emotional Story (Jab Paisa Ghumta Hai, Desh Jeeta Hai!)

> Ek Raja ne dekha: Desh me paise ki kami hai, sab log ro rahe hain...

> Tab Minister bola:

> “Rajan! Jab paisa ek hi jagah ruk jaye to arthvyavastha mar jaati hai...
Par jab paisa ghoomta hai — ek ka income, dusre ka kharcha banta hai —
tabhi desh chalta hai.”

> Raja ne bola:

> “Toh har aadmi, har factory, har sarkar... sab ek dusre ke paiso se jeete hain?”

> Minister bola:

> “Haan Maharaj! Ye hai CIRCULAR FLOW OF INCOME!
Jab paisa ghoomta hai — tabhi economy zinda rehti hai!”

💡 3. Memory Trick:

🎯 Trick:

> "Real ghoomta hai maal, Money ghoomta hai paisa!"

➤ Real = Goods & services

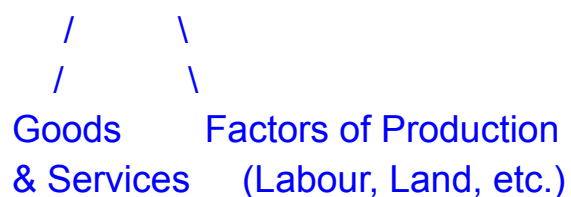
➤ Money = Income & expenditure

📌 Easy line:

> "Jo kamaata hai, wahi kharch karta hai — aur kharch kisi aur ki kamaai ban jaati hai!"

📊 4. Circular Flow Chart (2 Sector Model)

HOUSEHOLDS



\ /\n /\n
FIRMS
(Producers)

💰 Income Flow → From Firms to Households

🛒 Real Flow → From Households to Firms

✅ In advanced models, we add:

Government (Taxes/Subsidies)

Foreign Sector (Exports/Imports)

🎬 5. Punchline (Filmy Dialogue):

> “Paisa rukta hai toh recession aata hai...

Paisa ghoomta hai toh desh chal padta hai – Circular Flow ka jaadu!”

? 6. 5 MSQ Practice Questions (ICAI Style)

Q1. What is Circular Flow of Income?

- a) One-time income generation
- b) Continuous income & spending
- c) Income without spending
- d) None

✅ Answer: (b)

Q2. Real flow includes:

- a) Goods & Services
- b) Money
- c) Bank Deposits
- d) Savings

☒ Answer: (a)

Q3. Which of the following flows are part of circular income?

- a) Wages
- b) Goods sold
- c) Rent paid
- d) All of the above

☒ Answer: (d)

Q4. Money flow refers to:

- a) Flow of services
- b) Flow of money
- c) Flow of gold
- d) Flow of tax only

☒ Answer: (b)

Q5. In circular flow, household provides:

- a) Final goods
- b) Factors of production
- c) Government policies
- d) Trade agreements

✅ Answer: (b)

👑 1.4.2 – Value Added Method (VAM)

> Also called: Product Method / Output Method

Measures: National Income by adding value at each stage of production

✅ 1. ICAI Original Definition (Copy-Paste Style):

> Value Added Method measures national income by estimating the value added at each stage of production in the economy during a year.

It calculates the Net Value Added at Factor Cost (NVAFC) for all producing units within the domestic territory.

📌 National Income (NNPFC) = Σ Net Value Added at Factor Cost (NVAFC)

(From all sectors: primary, secondary, tertiary)

📏 Formula:

> $NVAFC = GVO - \text{Intermediate Consumption} - \text{Depreciation} - \text{Net Indirect Taxes}$

Where:

GVO = Gross Value of Output

Intermediate Consumption = Raw material used

Depreciation = Wear & tear

NIT = Indirect Taxes – Subsidies

! Important Points (as per ICAI):

✓ Include:

All production within domestic territory

Only final goods & services

Imputed values (like self-use house rent, etc.)

✗ Exclude:

Transfer payments

Illegal production

Second-hand goods

Intermediate goods (to avoid double counting)



2. KING-Style Emotional Storyline (Mehnat ka asli daam!)

> Raja Bharat ne sab factories ka inspection kiya aur bola:

> “Har shop, har factory bataaye ki usne asli kitna kamaaya – sirf becha hua maal nahi, jo khud banaya, uska net value!”

> Mantri bola:

> “Rajan! Agar hum sabka Gross Output dekhenge aur usme se kharida hua maal (intermediate) hata denge...

Phir Depreciation aur Tax bhi hata denge, tab hi asli ‘Value Added’ milega.”

> Raja khush hokar bola:

> “Toh hum sirf final kaam gin rahe hain –

Jo kisi aur ki copy nahi, vo hi desh ki asli kamaai hai – that’s VALUE ADDED METHOD!”

3. Memory Trick:

Trick Line:

> “GVO me se sab ghatao, NVAFC pao!”

Yaad rakh:

> $NVAFC = GVO - IC - \text{Depreciation} - NIT$

Trick word: “G-I-D-N”

> GVO

Intermediate

Depreciation

Net Indirect Tax

4. Punchline (Filmy Style):

> “Jo banaya, wahi gin!

Jo kharida tha aur puraana tha – use hatao, desh ki asli kamaai tabhi dikhegi!”

5. Flow Chart – Value Added Method

Gross Value of Output (GVO)

– Intermediate Consumption

= Gross Value Added (GVA)

– Depreciation

= Net Value Added (NVA)

– Net Indirect Tax

= Net Value Added at Factor Cost (NVAFC)

= National Income

? 6. 5 MSQ Practice Questions (ICAI Style)

Q1. Value Added Method is also known as:

- a) Output Method
- b) Product Method
- c) Income Method
- d) Both (a) & (b)

✓ Answer: (d)

Q2. Which of these is subtracted in VAM?

- a) Factor Income
- b) Intermediate Consumption

- c) Transfer Payments
- d) Investment

✓ Answer: (b)

Q3. National Income under VAM is calculated as:

- a) Sum of GVA
- b) Sum of GVO
- c) Sum of Intermediate Consumption
- d) Sum of Transfer Payments

✓ Answer: (a)

Q4. Which of the following is not included in National Income using VAM?

- a) Final Output
- b) Intermediate Goods
- c) Depreciation
- d) (b) & (c)

✓ Answer: (d)

Q5. $GVA - Depreciation - NIT = ?$

- a) GDPMP
- b) GDPFC
- c) NVAFC (National Income)
- d) Personal Income

✓ Answer: (c)

👑 1.4.3 – Income Method of Measuring National Income

📌 “Jo kamaaya gaya, wahi desh ki aamdani ban gaya!”

✅ 1. ICAI Original Definition (Copy-Paste Style):

> The Income Method estimates National Income by summing up all factor incomes generated during the production process within the domestic territory in a year.

It includes wages, rent, interest, profit, and mixed income of self-employed.

📌 National Income (NNPFC) =
COE (Compensation of Employees)

+ Rent
+ Interest
+ Profit
+ Mixed Income

📏 Standard Formula:

> $NNPFC = COE + Rent + Interest + Profit + Mixed\ Income$

OR

$NNPFC = NDPFC + NFIA$

! Important Rules (ICAI):

✓ Included:

Income from productive activities

Income earned in India (domestic territory)

Income actually or imputed (e.g. rent of self-use house)

✗ Excluded:

Transfer payments (pension, gift)

Windfall gains (lottery)

Illegal incomes

Income from sale of second-hand goods

🎬 2. KING Style Emotional Storyline (Sirf kamaayi, koi free gift nahi!)

> Ek baar Raja ne sabse bola:

> “Mujhe batao – aakhir is desh ke log kamaate kitna hain?”

> Mantri bola:

> “Rajan! Kamaai sirf tab hoti hai jab koi mehnat ke badle paisa le —
Wahi hum gin ke banate hain National Income!”

> Raja ne phir bola:

> “Toh kya lottery, gift, pension bhi count hoga?”

> Mantri muskara ke bola:

> “Nahi Rajan! Sirf Wages, Rent, Interest, Profit aur Self-employment
income hi National Income me aati hai —
Ye hai Income Method ka asli mantra!”



3. Memory Trick:



Yaad rakh trick:

> "W-R-I-P-M" =

Wages (COE)

Rent

Interest

Profit

Mixed Income

🎯 Line to yaad rakhne wali:

> “WRIPM se hoti hai Rashtriya Aamdani ki Likha-Jokha!”

🎬 4. Punchline (Filmy Style):

> “Jo paisa kisi kaam ke badle milta hai – wahi desh ki real kamaai hai!”

📊 5. Flow Chart – Income Method

National Income (NNPFC)

=

Wages (COE)

+ Rent

+ Interest

+ Profit (Corp. Profit + Undistributed + Dividend)
+ Mixed Income

Optional Adjustment:

> $NNPFC = NDPFC + NFIA$
(If asked to convert Domestic → National)

? 6. 5 MSQ ICAI Style Questions

Q1. Which is a component of Income Method?

- a) Transfer Payment
- b) Lottery
- c) Wages
- d) Capital Gain

✓ Answer: (c)

Q2. Mixed Income arises from:

- a) Govt. Employees
- b) Fully self-employed people
- c) Farmers only
- d) Corporates

✓ Answer: (b)

Q3. What is excluded in Income Method?

- a) Interest
- b) Profit
- c) Rent
- d) Transfer Income

✅ Answer: (d)

Q4. Income Method is used to estimate:

- a) GDPMP
- b) NNPFC
- c) GNPFC
- d) NNPMP

✅ Answer: (b)

Q5. Which of the following is included in National Income using Income Method?

- a) Illegal Income
- b) Wages in kind
- c) Lottery Winnings
- d) Free transfer

✅ Answer: (b)

👑 1.4.4 – Expenditure Method

> Also Called: Outlay Method

Measures: National Income by summing all final expenditures made in economy.

✓ 1. ICAI Original Definition (Copy-Paste Style):

> Expenditure Method estimates national income by adding the expenditure incurred on final goods and services by all sectors of the economy during an accounting year.

📌
$$NNPFC = C + I + G + (X - M) - \text{Depreciation} - \text{Net Indirect Taxes}$$

Where:

C = Private Final Consumption Expenditure

I = Gross Domestic Capital Formation (Investment)

G = Govt. Final Consumption Expenditure

$X - M$ = Net Exports (Exports – Imports)

! Important Points to Remember:

✓ Include:

Final consumption by households (C)

Government expenses (G)

Investment (I)

Net exports (X–M)


✗ Exclude:

Expenditure on intermediate goods

Second-hand goods

Transfer payments

Illegal transactions

 2. KING-Style Emotional Storyline (Jo kharch karte hain, wahi economy banate hain!)

> Ek baar Raja ne poocha:

> “Humne jo paisa kharch kiya – ghar me, sarkar ne, industry ne – kya usi se economy chalti hai?”

> Minister bola:

> “Bilkul Rajan! Jab log kharch karte hain – roti kharidte hain, machines lagate hain, exports karte hain...

Ye sab mila ke desh ka ‘Expenditure’ banata hai National Income!”

> Raja fir bola:

> “Toh iska matlab ye paisa kisi aur ki kamaai bhi hai?”

> Minister bola:

> “Haan Maharaj! Aapka kharcha, dusre ka income hai – isi circular spending se economy ghoomti hai!”

> Aur tab se keh diya gaya:

> “Expenditure Method = Jitna Desh Kharch Kare, Utna Hi Kamaai Dikhaaye!”

3. Memory Trick:

Trick line:

$$> C + I + G + (X - M) = \text{GDPMP}$$

Fir:

$$> \text{NNPFC} = \text{GDPMP} - \text{Depreciation} - \text{NIT}$$

Yaad karne ki line:

$$> \text{"CIGXM} - \text{DN} = \text{Desh ki Kamaai!"}$$

(Pronounce: CIG-X-M minus D-N)

4. Punchline (Filmy Style):

> “Kharch har koi karta hai...

Par jab vo kharcha GDP ban jaaye — tab vo rashtra ki kamaai kehlata hai!”



5. Flow Chart – Expenditure Method

Step 1: $GDPMP = C + I + G + (X - M)$

Step 2: $GDPFC = GDPMP - \text{Net Indirect Taxes}$

Step 3: $NDPFC = GDPFC - \text{Depreciation}$

Step 4: Add NFIA \rightarrow NNPFC (National Income)



6. 5 MSQ Practice Questions (ICAI Style)

Q1. Expenditure Method measures:

- a) Output
- b) Spending on final goods/services
- c) Factor incomes
- d) Indirect taxes



Answer: (b)

Q2. Which of these is NOT part of Expenditure Method?

- a) Govt. Final Consumption
- b) Private consumption
- c) Black money
- d) Investment



Answer: (c)

Q3. The formula for GDPMP under Expenditure Method is:

- a) $W + R + I + P$
- b) $C + I + G + (X - M)$
- c) $GVO - IC$
- d) $NNPFC - Dep$

✓ Answer: (b)

Q4. Which of the following gets deducted from GDPMP to get NNPFC?

- a) Transfer Income
- b) Intermediate Cost
- c) Depreciation and NIT
- d) Operating Surplus

✓ Answer: (c)

Q5. Net Exports = ?

- a) Imports – Exports
- b) Exports + Imports
- c) Exports – Imports
- d) $C + I + G$

✓ Answer: ©

✓ 1. ICAI Theory (Copy-Paste):

> In India, regional income accounts are prepared to measure income at state and UT levels.

These are called State Domestic Product (SDP) or Net State Domestic Product (NSDP).

> These are compiled by the Directorate of Economics and Statistics (DES) of each State/UT under the guidelines of Central Statistical Office (CSO).

> 📖 State Domestic Product (SDP) is like GDP but at state level.

📖 Net SDP at FC = State Income (just like NNPFCC = National Income)

🧩 Key Terms:

Term Meaning

SDP State Domestic Product (like GDP for state)

NSDP Net SDP = SDP – Depreciation

State Income NSDP at Factor Cost (FC)

🎬 2. KING-Style Emotional Story: “Desh se pehle Pradesh”

> Ek din Raja Bharat ko samajh aaya:

> “Agar har rajya alag kamaai karta hai, to kya mujhe sirf National Income dekh kar kaam chalana chahiye?”

> Mantri bola:

> “Rajan! Har Pradesh ka hisaab alag hota hai –
Ek garib hai, ek ameer hai, ek industrial, ek rural.”

> Raja hairan hokar bola:

> “Toh har state ka bhi GDP hota hai?”

> Mantri muskara ke bola:

> “Haan Maharaj! Usse kehte hain SDP ya NSDP – jise DES banata hai,
par CSO ke rules se!”

> Raja ghoomte hue bola:

> “Tab toh sahi main Desh chalane ke liye State Income ka poora Chart
banana padega!”

3. Memory Trick:

Trick Line:

> "Nation ka GDP = Desh ki Income,
State ka SDP = Pradesh ki Kamaai!"

Yaad rakh:

> SDP → State level GDP
NSDP → State level Net Product
NSDP at FC → State Income

4. Chart Summary:

National Income → NNP at FC
State Income → NSDP at FC

Compiled by:

→ Central: NSO / CSO

→ States: DES (Directorate of Economics & Statistics)

5. Punchline (Filmy Style):

> “Desh tabhi banega strong,
Jab har Pradesh ki kamaai ka hoga hisaab sahi aur perfect song!”

6. MSQ Practice Questions (ICAI Style)

Q1. State Domestic Product (SDP) is:

- a) National Income
- b) GDP of India
- c) GDP of a state
- d) Import-Export Balance

 Answer: (c)

Q2. NSDP at Factor Cost means:

- a) State GDP
- b) State Income
- c) Total tax collection
- d) National Expenditure

 Answer: (b)

Q3. Regional Accounts are maintained by:

- a) SEBI

b) NSDL

c) DES

d) RBI

✓ Answer: (c)

Q4. Which institution gives guidelines to DES for state income?

a) CSO

b) IMF

c) GST Council

d) CBI

✓ Answer: (a)

Q5. State Income is equivalent to:

a) NNPPFC

b) NSDPFC

c) GDPMP

d) GNPMP

✓ Answer: (b)

👑 1.6 – GDP and Welfare

> GDP toh badh gaya... par kya log khush hain?

Development ≠ Welfare – This is the real heart of Economics!

✓ 1. ICAI Theory (Copy-Paste):

> GDP is a measure of total market value of goods and services produced in a country.

But GDP may not always represent economic welfare, as it doesn't measure:

1. Distribution of income
2. Non-monetary transactions
3. Leisure time
4. Environment damage
5. Quality of goods

📌 So GDP ↑ doesn't always mean Welfare ↑

⚖️ GDP vs Welfare – Key Points (ICAI):

📌 1. GDP kya batata hai?

Sirf total production (goods + services) ka value batata hai

Ye growth dikhata hai — welfare nahi

 2. Welfare kya hota hai?

Welfare = Logon ki real well-being
(Health, happiness, equality, environment, etc.)

 3. GDP kab Welfare badhata hai?

Jab:

Useful goods bante hain

Employment milta hai

Health & Education improve hoti hai

Growth sustainable hoti hai

 4. GDP kab Welfare nahi dikhata?

Jab:


Income inequality badh jaye

Environment kharab ho jaye

Stress aur kam leisure ho

Free work (like homemaking) ignore ho


 Important Line:

>  "GDP ↑ doesn't always mean Welfare

 4. Summary Chart – GDP & Welfare

GDP vs Welfare

GDP Reflects	GDP Misses
-----	-----
✓ Market output	✗ Environment
Damage	
✓ Employment	✗ Inequality
✓ Services	✗ Non-market work
	✗ Leisure/stress
	✗ Social justice


 5. Punchline (Filmy Style):

> “Desh ki GDP badh gayi toh kya hua...
Jab tak log khush nahi – tab tak ‘Vikas’ sirf ek number hai!”

6. MSQ Practice Questions (ICAI Style)

Q1. Which of the following is not reflected in GDP?

- a) Market Value of Output
- b) Quality of Life
- c) Exports
- d) Investment

 Answer: (b)

Q2. GDP is a measure of:

- a) Income Distribution
- b) Market Value of Output
- c) Welfare
- d) Environment

 Answer: (b)

Q3. GDP fails to measure:

- a) Employment
- b) Investment
- c) Non-market work
- d) Government Spending

✓ Answer: (c)

Q4. Which one reduces welfare despite high GDP?

- a) Equal Income
- b) Environmental pollution
- c) Public Education
- d) Better Technology

✓ Answer: (b)

Q5. GDP increases when:

- a) Housewives do unpaid work
- b) Farmers sell crops
- c) Friends help each other
- d) Forest is cut down for road

✓ Answer: (b)

👑 1.7 – Limitations & Challenges in National Income Computation

✓ Simple Key Points (ICAI Style – Easy Language)

📌 1. Underground Economy Problem

Illegal work (smuggling, black money, corruption) → included nahi hota

Isse real income underestimate ho jati hai

2. Non-Monetary Transactions

Free work by housewives, self-consumption in villages → ignore kiya jata hai

Par ye bhi real production hai!

3. Incomplete or Wrong Data

Sab log sahi data nahi dete (chhoti industries, farmers)

Estimate karna padta hai, actual nahi hota

4. Lack of Standard Techniques

Har country alag method use karti hai

Comparisons difficult ho jata hai

5. Multiple Price Changes

Prices badalte rehte hain (inflation)

To GDP me real vs nominal confuse ho jata hai

6. Environmental Cost Not Counted

Forests ka damage, pollution ka effect → income me include nahi

Par welfare me farak padta hai

KING Style Emotional Story – “Aadha Satya”

> Ek baar Raja Bharat ne declare kiya:

> “Hamari National Income badh gayi – sab log khush ho jao!”

> Tab ek Sadhu bola:

> “Rajan, kya aapne us income me black paisa gina?
Ghar ki mahilayein jo roj kaam karti hain, uska hisaab diya?
Ya sirf factory ki machine ki ginti ki hai?”

> Raja chauk gaya...

> “Toh kya meri National Income... पूरी सचचै नै बतैतै?”

> Sadhu bola:

> “Jab tak poorā deś dikhayī nahi deta...
Tab tak GDP sirf aadha satya hai!”



Memory Trick:



Yaad karne ki line:

> “GUPTA ke 6 paap” = 6 Problems of National Income:

G – Grey Economy (black money)

U – Unpaid work not counted

P – Price fluctuations

T – Technique differences

A – Approx data

E – Environmental damage

 Punchline (Filmy Style):

> "National Income tabhi sach hogi,
Jab har gali, har ghar, har jungle ka hisaab hoga!"

 Practice MSQs (ICAI Style)

Q1. Which of these is a limitation of NI computation?

a) Black Money

b) Banking Sector Data

c) Transfer Payments

d) Foreign Aid

 Answer: (a)

Q2. Non-monetary activities include:

- a) Factory work
- b) Govt. expenditure
- c) Household services by women
- d) Corporate investment

✓ Answer: (c)

Q3. Why is comparison of NI between countries difficult?

- a) Currency difference
- b) Different calculation methods
- c) Political system
- d) Religion

✓ Answer: (b)

Q4. Which activity is generally not included in NI?

- a) Farming
- b) Housewife cooking food
- c) Teacher salary
- d) Rent earned

✓ Answer: (b)

Q5. NI computation becomes difficult due to:

- a) Inflation
- b) Uniform pricing
- c) RBI regulation
- d) Perfect data

 Answer: (a)