Economics

Instructions

The purpose of this assignment is to give your hand on practice. It is expected that students will solve the assignments themselves.
It should be clear that your assignment will not get any credit if:

- Cheating from any source will result in zero marks in the assignment.
- Any student found cheating in any of the two assignments submitted will be awarded "F" grade in the course.
- No assignment after due date will be accepted
- The submitted assignment does not open or file is corrupted.

Question No. 1 (5 Points)

Write a few lines on comparison of GDP and GNP.

Ans:

GNP and GDP both reflect the national output and income of an economy. The main difference is that GNP (Gross National Product) takes into account net income receipts from abroad.

- GDP (Gross Domestic Product) is a measure of (national income = national output = national expenditure) produced in a particular country.
- GNP (Gross National Product) = GDP + net property income from abroad. This net income from abroad includes dividends, interest and profit.
- GNI (Gross National Income) = (similar to GNP) includes the value of all goods and services produced by nationals – whether in the country or not.

GDP **Gross Domestic Product**	**GNP** **Gross National Product**	**GNI** **Gross National Income**
Value of national output produced in a country. - National income - National output - National expenditure	GNP = GDP + net property income from abroad.	Similar to GNP - Sum value of output by resident producers + net receipts of primary income from abroad + any product taxes (less subsidies) not included in the valuation of output.
Includes income of foreign multinationals	Excludes income earnt by multinational when profit is sent back to other country	A country which earns positive net income on FDI will include in GNI, but not GDP

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Question No. 2 (5 Points)

Write a short note on depreciation.

Ans:

Depreciation, i.e. a decrease in an asset's value, may be caused by a number of other factors as well such as unfavorable market conditions, etc. Machinery, equipment, currency are some examples of assets that are likely to depreciate over a specific period of time. Opposite of depreciation is appreciation which is increase in the value of an asset over a period of time.

Accounting estimates the decrease in value using the information regarding the useful life of the asset. This is useful for estimation of property value for taxation purposes like property tax etc. For such assets like real estate, market and economic conditions are likely to be crucial such as in cases of economic downturn.