

Methods of Measuring National Income

There are three methods of Measuring National Income

- a) Income Method (factor Payment Method or Distribution Method)
- b) Expenditure Method (Disposal Method)
- c) Product Method (value Added Method)

Methods of Measuring National Income

There are three methods of Measuring National Income

- a) Income Method (or Payment Method or Distribution Method)
- b) Expenditure Method (or Disposal Method)
- c) Product Method (or Value Added Method)

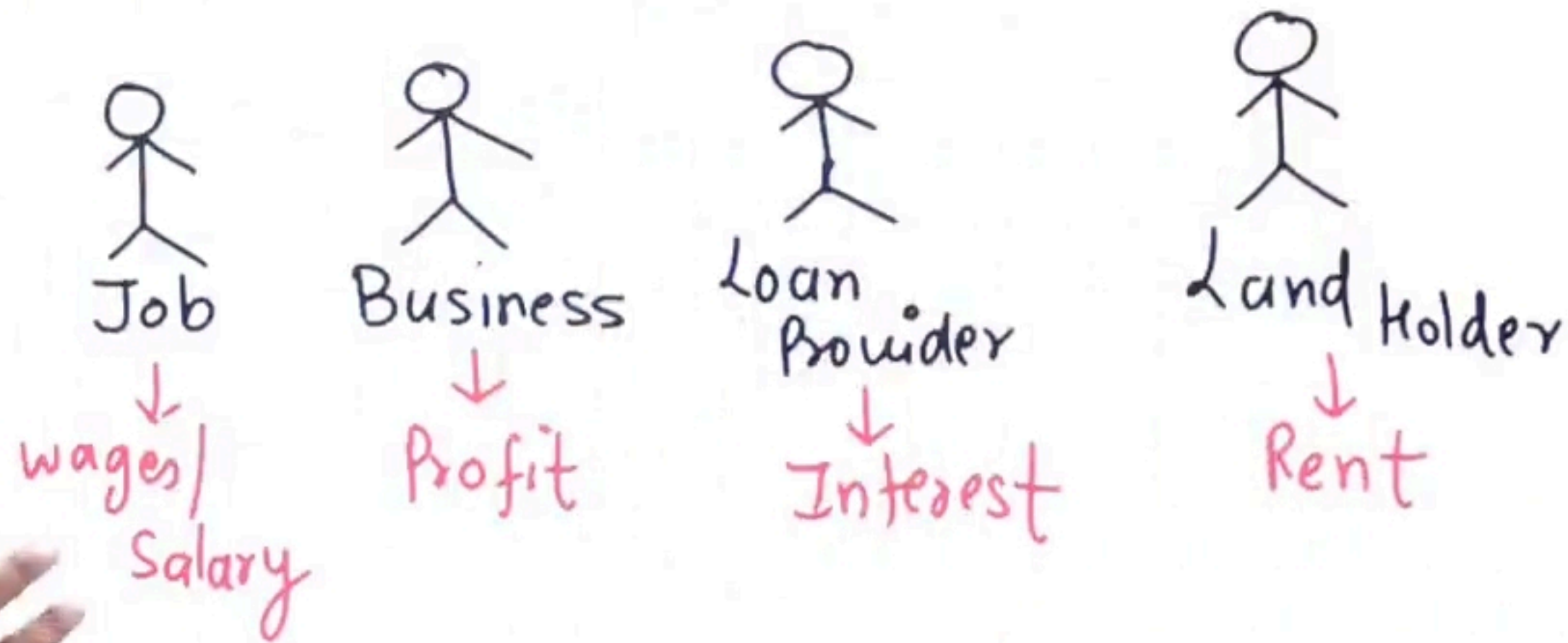
CSO

Income method.

→ It is based on factor of Production.

L, L^b, K, Ent .

→ factor distribution method.



Step ① Identification and classification of Producing enterprise.

- Primary Sector
- Secondary Sector
- Tertiary Sector

Step ②: classification of factor Income

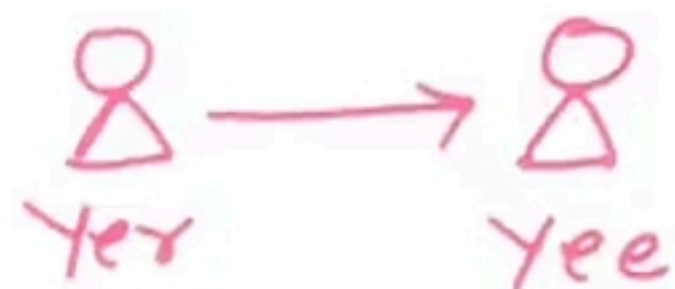
[A] Compensation of Employee [COE]

- W - wages and Salary in Cash +

- W - wages & salary in Kind.

- E - Employer's Contribution in any

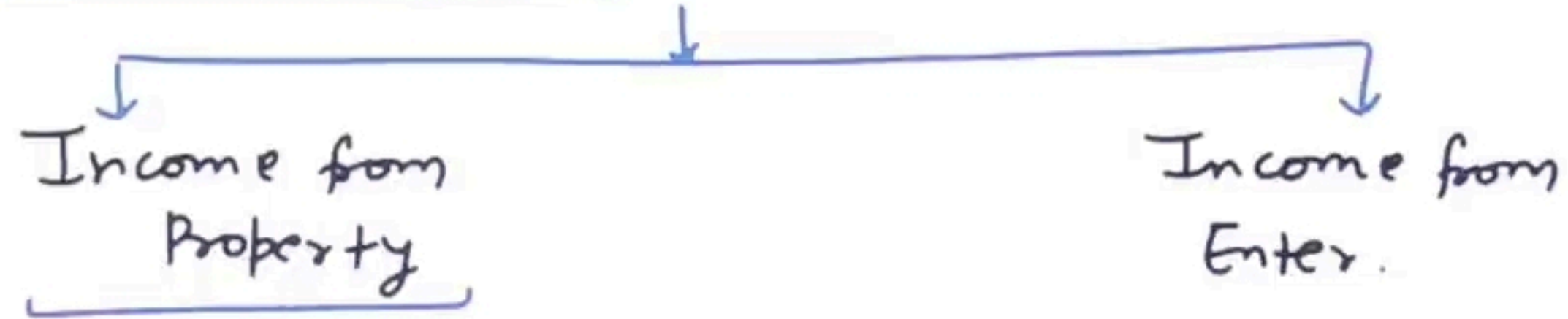
- R - Retirement Pension



Allowance
Bonus
Commission

Social Security Scheme (Provident fund, LIC)

[B] operating Surplus



→ Land = Rent

→ Cash = Interest

→ Goodwill = Royalty

[B] Operating Surplus = R, R, I, P

Income from
Property

→ Land = Rent

→ Cash = Interest

→ Goodwill = Royalty

Income from
Enter.

↓
Profit

Income from
Property

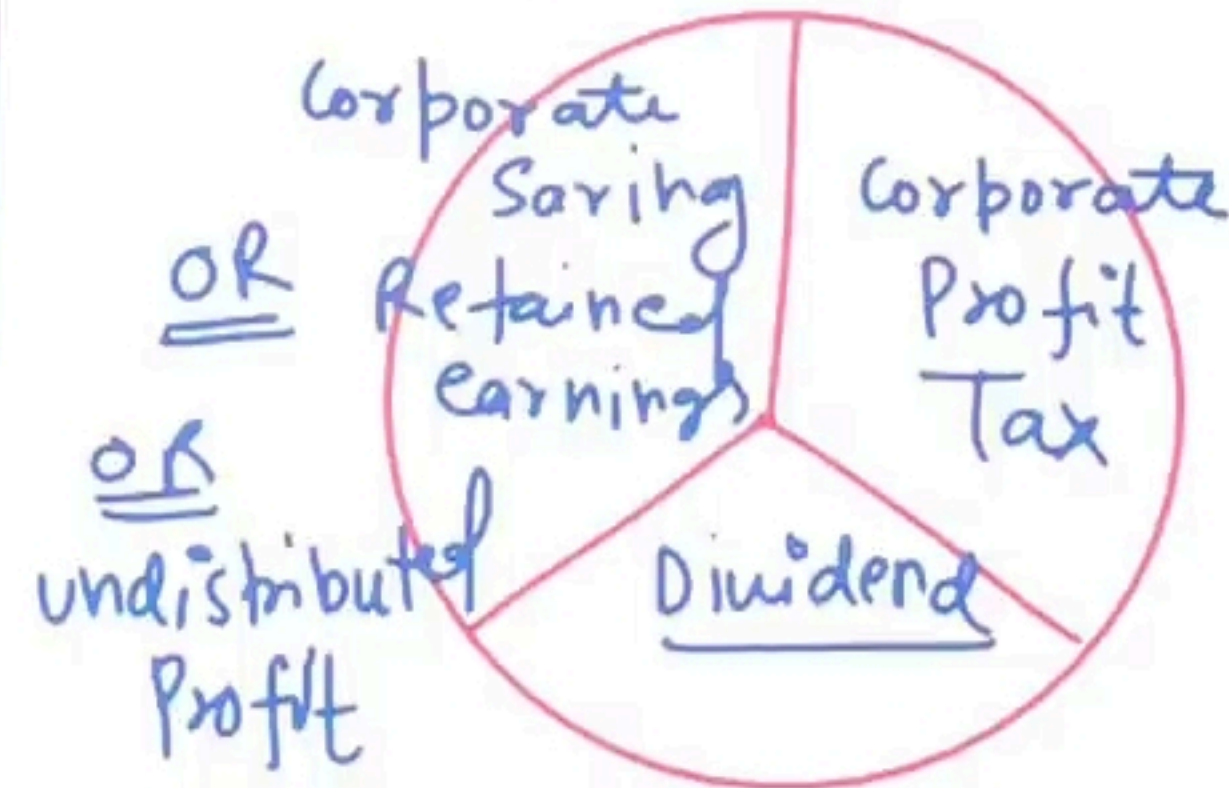
→ Land = Rent

→ Cash = Interest

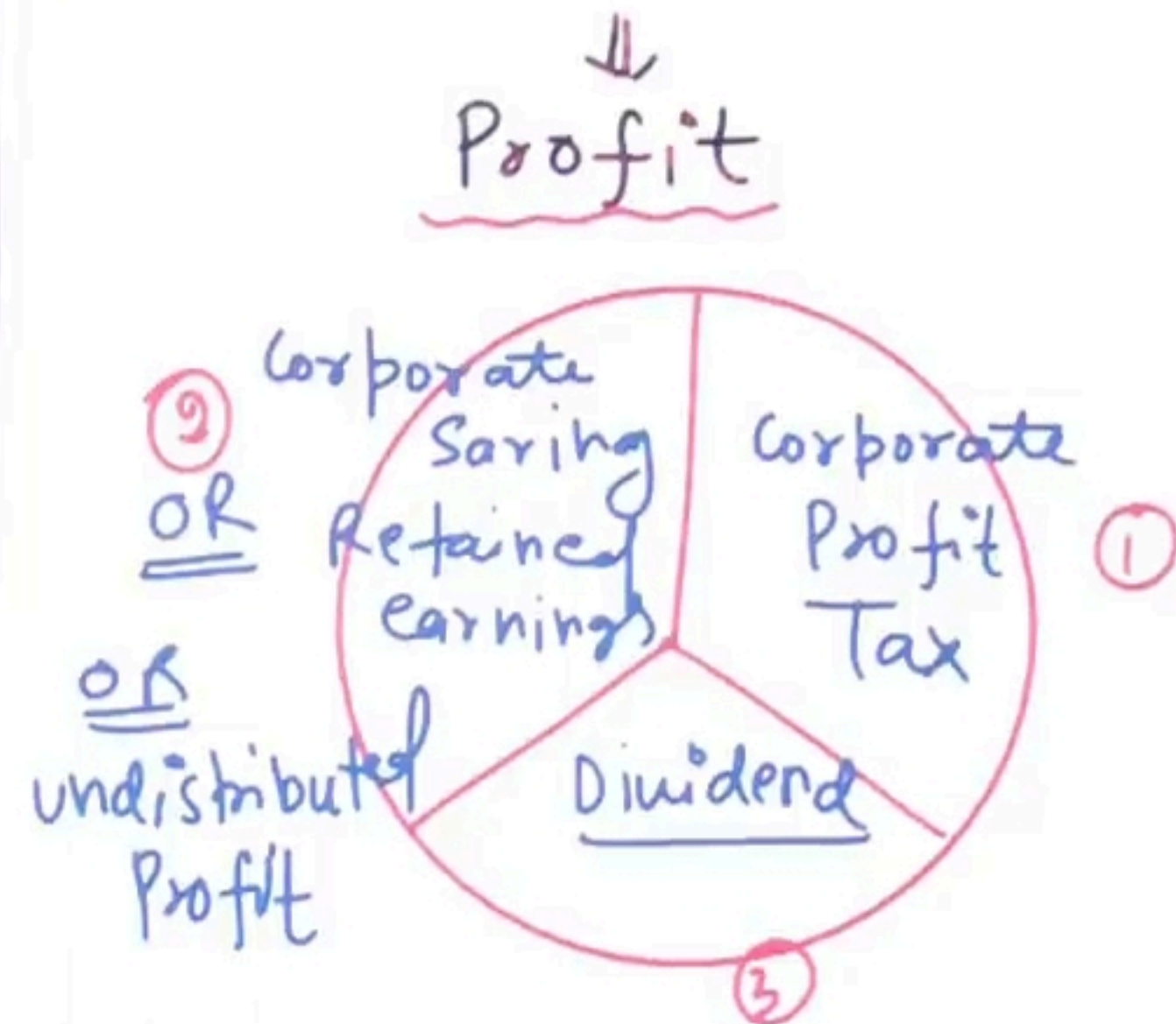
→ Goodwill = Royalty

Income from
Enter.

↓
Profit

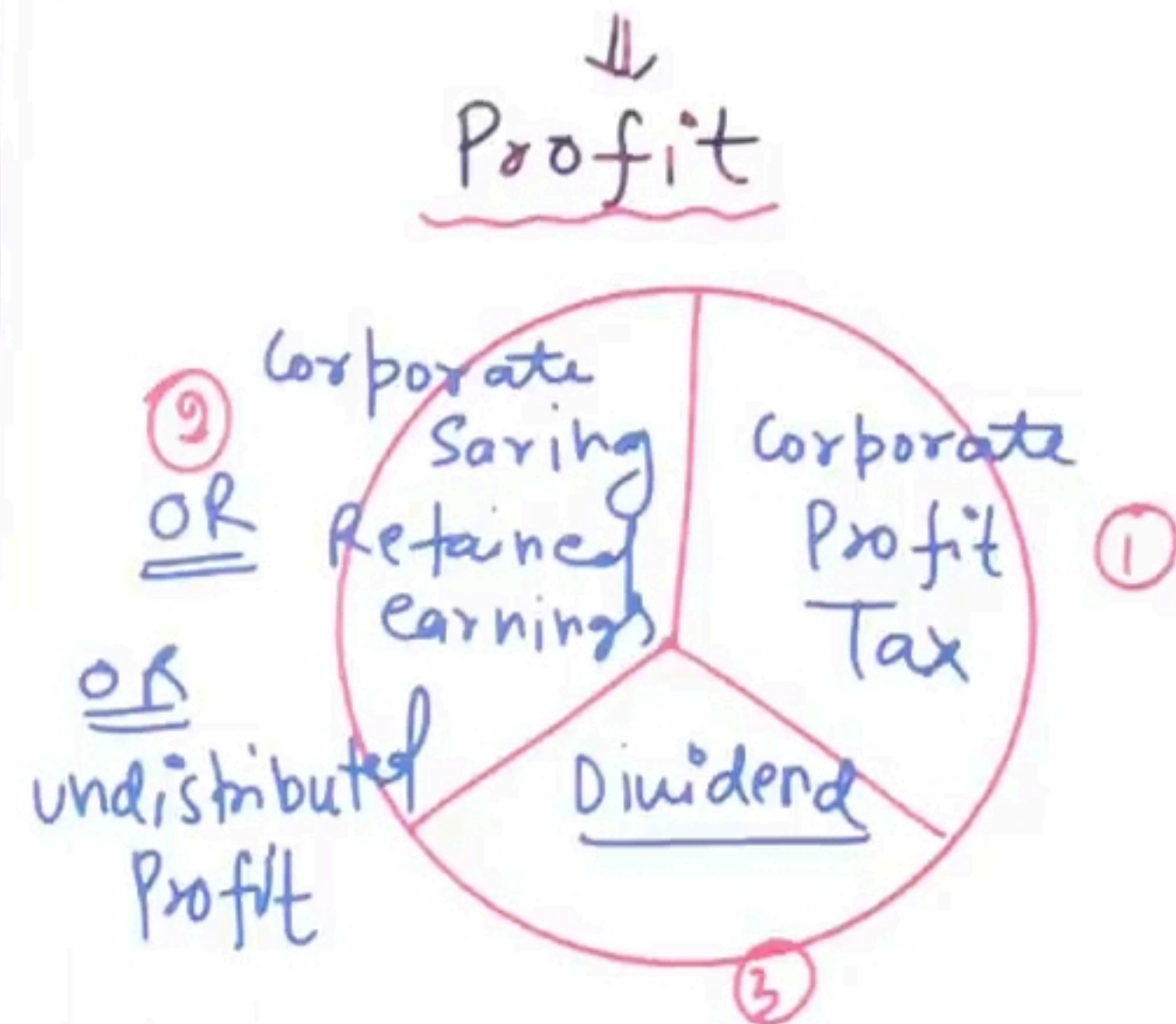


- Land = Rent
- Cash = Interest
- Goodwill = Royalty



$$\boxed{\text{Profit}} = \underline{CT} + \underline{UP} + \underline{D}$$

- Land = Rent
- Cash = Interest
- Goodwill = Royalty



$$\boxed{\text{Profit}} = \underline{CT} + \underline{UP} + \underline{D}$$

(c) mixed Income of Self employed

↳ Doctor, Teacher, farmer etc.

Step ③ Calculation of Domestic Income

$$COE + O/S + M.I.S.E = NDP_{FC}$$

[Domestic Income]

Step ③ Calculation of Domestic Income

$$\underline{COE + O/S + M.I.S.E} = \text{NDP}_{FC}$$

[Domestic Income]

Step ④ Calculation of National Income

$$\underline{\text{NNP}_{FC}} = \underline{\text{NDP}_{FC}} + \boxed{\text{NFIA}}$$

(National Income)



Precautions involved in this Method

- 1) Transfer Income like scholarship, old age pension etc. = not included
- 2) Domestic Services out of love and affection etc. = not Included
- 3) Income from sale of second hand goods. = not Included
- 4) Income from Illegal activities = not Included
- 5) Windfall gains = not Included
- 6) Capital gains = not Included
- 7) Free services provided by the owners of the production unit = Included
- 8) Imputed value of owner self occupied house = included
- 9) Intermediate consumption expenditure = not included