**National Income Accounting**

**Notes:**

* **Net Investment = Gross Investment – Deprecation**
* **Net Indirect tax= Indirect tax – subsidy**
* **NFIA (Net factor Income from abroad) = Factor Income from Abroad – Factor income paid to abroad**
* **Net Export= Export – Import**

**1. From the following data calculate GNP at factor cost by Income Method & Expenditure Method**

|  |  |
| --- | --- |
| **Items** | **Rs. in Crores** |
| **Net Domestic capital formation** | **500** |
| **Compensation of employees** | **1850** |
| **Consumption of fixed capital (Depreciation)** | **100** |
| **Govt. Final Expenditure** | **1100** |
| **Private Final consumption Expenditure** | **2600** |
| **Rent** | **400** |
| **Dividend** | **200** |
| **Interest** | **500** |
| **Net Exports** | **(-) 100** |
| **Undistributed Profits** | **900** |
| **Net Factor Income From Abroad (=income from abroad – income to abroad)** | **(-) 50** |
| **Net Indirect Taxes (=indirect Tax – Subsidy)** | **250** |

**Sol :**

**Income Method**

* **GNPFC = NNPFC + Consumption of fixed capital**

**=NDP at factor cost + NFIA+ Consumption of fixed capital**

**= (Compensation of employees + Rent + Interest + Undistributed Profits + Dividend) + Net Factor Income from Abroad + Consumption of fixed capital**

**= 1850 + (400 +500 +900 + 200) + (-) 50+ 100**

**= 3900 CRORE**

**Note:**

* **GNPFC = NNPFC + Consumption of fixed capital**
* **NNPFC or National Income = Compensation of employees + Rent + Interest + Undistributed Profits + Dividend + Net Factor Income from Abroad**
* **Compensation of employees is income from work which includes wages and salaries in kind and cash, and contribution to social securities**

ii. Expenditure Method

**GNPFC = GNPMP - Net Indirect Taxes**

**= Private Final consumption Expenditure + (Net Domestic capital formation + consumption of fixed capital) + Govt. Final consumption Expenditure + Net Exports + Net Factor Income from Abroad - Net Indirect Taxes**

**= 1100 +2600 + (500 +100) + (-) 100 + (-)50 – 250**

**= 3900 CRORE**

Note

* GNPMP = Private Final consumption Expenditure + Gross Domestic capital formation + Govt. Final consumption Expenditure + Net Export + Net Factor Income from Abroad
* **Gross Domestic capital formation = Net Domestic capital formation + Consumption of fixed capital)**
* Export – Import = Net Export
* Net Factor Income from Abroad = Factor Income from Abroad – Factor Income Paid to Abroad
* GNPFC = GNPMP - Indirect tax + Subsidy

= GNPMP  - (Indirect tax – subsidy)

= GNPMP  - Net Indirect tax

**2. From the following data calculate (a) Gross Domestic Product at Factor Cost, and (b) Gross Domestic Product at Market price**

|  |  |
| --- | --- |
| **Items** | **Rupees in Crores** |
| **Gross national product at factor cost** | **6,1500** |
| **Net exports** | **(-)50** |
| **Compensation of employees** | **3000** |
| **Rent** | **800** |
| **Interest** | **900** |
| **Profit** | **1,300** |
| **Net indirect taxes** | **300** |
| **Net domestic capital formation** | **800** |
| **Gross domestic capital formation** | **900** |
| **Factor income to abroad** |  |

1. **GDP at factor cost**

**= NDP at factor cost + Depreciation**

**= Compensation of employees+ Rent+ Interest+ Profit +Mixed income+ (Gross domestic capital formation - Net domestic capital formation)**

**= =Rs 3,000crore + Rs 800 crore + Rs 900 crore + Rs 1,300 crore + (Rs 900 crore - Rs 800 crore)**

**= Rs 6100 crores**

1. **Gross Domestic Product at Market Price**

**= GDP at factor cost + Net Indirect taxes**

**=Rs 6100 + Rs300 crore**

**= Rs 6,400crore**

3. **An Economy has two firms A & B on the basis of following information find out**

a) **Value added by firm A & B respectively**

b) **GDP at Market Price**

|  |  |
| --- | --- |
| **Items** | **Rs. in Lakh** |
| **Exports by firm A** | **20** |
| **Imports by firm A** | **50** |
| **Sales to households by firm A** | **90** |
| **Sales to firm B by firm A** | **40** |
| **Sales to firm A by firm B** | **30** |
| **Sale to household by firm B** | **60** |

**Sol: a)**

**Value added by firm A**

**= Sale to households +Sales to firm B + Exports by firm A – Imports by firm A – Purchase from firm B**

**= Rs 90 + Rs 40+ Rs 20- Rs 50- Rs 30**

**= Rs 70 Lakh**

**Value added by firm B**

**= Sales to Firm A + Sales to households – purchase from firm A**

**= Rs 30+ Rs 60- Rs 40**

**= Rs 50 Lakh**

**b) GDPMP**

**= Value added by firm A + value added by Firm B**

**= Rs 70+ Rs 50**

**= Rs 120 Lakh**

4. **Find out the National Income from the following particulars**

|  |  |
| --- | --- |
| **Particulars** | **Amount (crores)** |
| **NFIA** | **(-) 20000** |
| **GDP (Market Price)** | **4400000** |
| **Capital Consumption Expenditure (i.e. Depreciation)** | **10000** |
| **Output of Primary Sector** | **1100000** |
| **Output of Secondary Sector** | **2100000** |
| **Output of Service Sector** | **1250000** |
| **Intermediate Goods** | **50000** |
| **Indirect Tax** | **35000** |
| **Subsidy** | **5000** |

Hints: Expenditure Method:

**National income (or NNP at factor cost)**

**= (GDP at market price – Capital consumption expenditure) + NFIA – Indirect + subsidy**

Or

Value Added Method

**National income (or NNP at factor cost)**

**= (GDP at market price – Capital consumption expenditure) + NFIA – Indirect + subsidy**

**= (Output of Primary sector + Output of secondary sector + Output of tertiary sector – value of intermediate goods) – Capital consumption expenditure + NFIA – Indirect Tax + subsidy**

1. **Determine the national income from the following information.**

**Private Consumption Expenditure: Rs.50000 Crore**

**Public Investment Expenditure Rs. 40000 Crore**

**Gross Private Investment Expenditure Rs.76000 Crore**

**Public Consumption Expenditure Rs.56000 Crore**

**Imports Rs.25000 Crore**

**Exports Rs.30000 Crore**

**Capital Consumption Expenditure Rs.5000 Crore**

**NFIA (-) Rs.12000 Crore**

**Indirect Tax Rs.50000 Crore**

**Subsidy Rs.10000 Crore**

**Hints**

National income (or NNP at factor cost)

= NNP at Market Price – Indirect Tax + subsidy

= NDP at Market Price + NFIA – Indirect Tax + subsidy

= **(GDP at market price – Capital consumption expenditure) + NFIA – Indirect + subsidy**

**= {(Private Consumption Expenditure + Gross Private Investment Expenditure + Public Investment Expenditure + Public Consumption Expenditure + (Export – Import)} – Capital consumption expenditure + NFIA – Indirect + subsidy**

**Note:**

**Public means government**

1. **Find out the national income of India from the following data**

**(A) NDPfc: Rs.5000000 Crore ; NFIA(-):Rs 20000 Crore ; Depreciation :Rs.5000 Crore**

**(B) GDPmp: 40 Lac Crore ; GNPfc :50 Lac Crore,; NFIA (+) 01 Lac Crore; Depreciation : Rs.02 Lac Crore.**

**Hints**

1. **National income or NNP at factor cost**

**=** NDPfc + NFIA

1. **National income or NNP at factor cost**

**=** GNPfc - Depriciation

1. Find out NNPFC from the following information

GNP MP 500000 (Crores)

NFIA (-) 700 (Crores)

Depreciation 15000 (Crores)

Subsidy 8000 (Crores)

Indirect Tax 12000 (Crores)

Hints: NNPFC = GNP MP – Indirect tax + subsidy - Depreciation