**Discuss the three approaches for measuring national income stating advantages and disadvantages for these approaches.**

National income can be measured in three ways;

1. PRODUCT METHOD

Here, national income is usually measured as the flow of goods and services. The monetary value of all the final services and goods(those consumed directly and not those used for further production) produced in a country in that specific economic year is calculated here.

ADVANTAGES

* Its **advantage** is that it shows the necessity of the different sectors of the economy by revealing their contributions to national income.
* It is also easy to understand.

DISADVANTAGE

Its **disadvantage** is that this method can only be used where the production data for all the industries in the country is available yet in many countries only data for the important industries is the one that is usually available hence to get the national income one will have to use it along with other methods.

1. **INCOME APPROACH**

Here, the citizens' income is what is measured to generate the national income putting into consideration the 4 factors of production: land, labor, entrepreneurship, and capital. Land yields rent, labor yields salaries and wages, capital yields interest while entrepreneurship yields profits.

ADVANTAGES

* Helps the government and economists to measure the citizens living standards
* It also helps economists and the government to know how wealth has been distributed in the country.

DISADVANTAGES

* Accuracy is usually a major issue here because measuring a country’s income cannot be conducted accurately as people may lie about their incomes more so the business people to evade taxes and when figures are not correct it will mean that the results will not be correct.
* The approach only measures the paid activities leaving other income-generating activities out.
* The black economy distorts figures.

1. **EXPENDITURE APPROACH**

Here, the amount spent on the consumption of goods and services by the consumer is what is measured. Here, the following are usually put into consideration: investment, consumption, net exports, and government purchases.

ADVANTAGES

* It is easy to calculate and understand.
* It can be universally used in the comparison of figures with other countries.
* It gives the economists insights into where the countries economy is heading.

DISADVANTAGES

* Black economy data is not considered here and so is the quality of the goods and services.
* Just lime in income approach, accuracy is also an issue here
* Inflation is an important factor and so are currency values in international markets yet this approach ignores them.