Concepts of National Income:

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(i) GNP: Gross National Product } See Note
(ii) GDP: Gross Domestic Product } Mac-4

(iii) NNP: Net National product:-

In the production of Gross National Product of a year, we use some equipments, machineries etc. These capital goods depriciate in value as a result of its consumption or use in the production process. This fall in value of capital due to wear and tear is called depreciation. When charges for depreciation are deducted from the Gross National Product, we get Net National Product. It means the market value of all final goods and services after providing for depreciation. Therefore, it is called "National Income at market Price."

Thus, Net National Product or National Income at Market Prices = GNP − Depreciation.

(2)

(IV) National Income at Factor Cost: It is called National Income. National Income at factor cost means the sum of all incomes earned by resource suppliers for their contribution of the concern year's net production. In other words, national income shows how much it costs society interms of economic resources, to produce net output. It is really the national income at factor Cost for which we use the term 'National Income'.

The difference between national Income at factor cost (NI) and national income at market Price (or NNP) arises from the fact that indirect tax and subsidies cause market prices of output different from the factor incomes.

Thus national income (or national income at factor cost) is equal to net national Produce minus indirect taxes plus subsidies.

Q: what is GNP. deflator?

(A) Rate of money Inflation Can be measured by GNP-deflator. That is, Inflationary Situation from Real National Income Can be realised from GNP deflator. GNP-deflator is the ratio of nominal/monetary GNP and Real GNP. That is change in price level or Inflationary Situation of current year in respect to base year can be measured

$\therefore$ GNP deflator $= \dfrac{\text{Nominal GNP}}{\text{Real GNP}}$ or Real GNP $=$ Nominal GNP *

Nominal GNP = Real GNP × GNP deflator

rsonal Income:

Personal Income is the sum total of all incomes actually received by all individuals or households during a given financial year. Transfer payments will not be included in national income because such incomes are not currently earned. Transfer payments are,– old-age pensions, unemployment doles, relief payments and so on. But undistributed part of profits of the joint stock company are included in national income.

So, personal Income = NNP – undistributed amount of Profit of joint stock companies + Transfer payments.

(vi) Disposable Income:

One cannot use his personal income in total. Because, a good part of Personal Income is paid to govt. in the form of personal taxes. like income tax, personal property tax etc. The remaining part of personal income is called disposable income. Disposable income can either be consumed or saved. Therefore,

Disposable income = Consumption + saving.

Q1 State and explain GNP Gap.

Ans: By utilising fully, available resources, such as, capital and Labour, the expected amount of Product received by a Country during a particular period is known as ~~Probable~~ Expected/Potential National Product.

GNP-Gap can be measured by using Potential GNP concept. GNP Gap indicates the difference between potential GNP/output and actual GNP. That is difference between full employment stage Production and Actual GNP is expressed by GNP-Gap.

i.e, GNP. Gap = Potential GNP − Actual GNP.

Actual GNP/output means total market prices/values of goods and Services produced in a particular year.

GNP. Gap is shown below with the help of a corollary table:

Period	Potential GNP/output	Actual GNP	GNP. Gap	~~[illegible]~~
2010	2000	1000	1000	
2011	3000	2500	500	
2012	5000	5000	00	
2013	6000	5500	500	
2014	7000	7500	− 500	

It is seen from the above table that, GNP. Gap May be positive, negetive, even it may be 0 (Zero) also.

Difference between GNP and GDP

(I) GNP is the goods and services produced in the country including income from abroad.

i,e, $GNP = GDP + (X-M)$

here, X represents exports and M - imports of the country.

But GDP includes goods and services produced only with in the territory.

i,e, $GDP = GNP - (X-M)$

(II) GNP is a broad concept while GDP is narrow, that is GDP is a part of GNP.

(III) In GNP foreigner's income with in the country is excluded; But in GDP it is included.

(iv) while computing GNP, income of the citizens living abroad are included. On the contrary, it is excluded from GDP.

(v) GNP may be or may not be equal to GDP. it depends upon the balance of export and import. We know, $GNP = GDP + (X-M)$.
in that case,

if, $(X-M)=0$ then $GNP = GDP$,
$(X-M) > 0$ then $GNP > GDP$.
and $(X-M) < 0$ then $GNP < GDP$.

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