



Q6. Define budget deficit and trade deficit. The excess of private investment over saving of a country in a particular year was Rs 2,000 crores. The amount of budget deficit was (-) Rs 1,500 crores. What was the volume of trade deficit of the country?

Ans: Budget Deficit

The excess of government expenditure over government income is termed as the budget deficit.

Budget Deficit = $G - T$

Where,

'G' represents government expenditure

'T' represents government income

Trade Deficit

Trade deficit measures the excess of import expenditure over the export revenue of a country.

Trade Deficit = $M - X$

Where,

'M' represents expenditure on imports

'X' represents revenue earned by exports

It is given that,

$I - S = \text{Rs.}2000$ crores.

$G - T = (-) \text{Rs.}1500$ crores.

Therefore,

Trade deficit = $[I - S] + [G - T]$

= $2000 + [-1500]$

= Rs.500 crores.

Q7. Suppose the GDP at market price of a country in a particular year was Rs 1,100 crores. Net Factor Income from Abroad was Rs 100 crores. The value of Indirect taxes - Subsidies was Rs 150 crores and National Income was Rs 850 crores. Calculate the aggregate value of depreciation.

Ans: National Income = Rs.850 crores

Ans: National Income (NP_{FC}) = Rs.850 crores

$GDP_{MP} = \text{Rs.}1100$ crores

Net factor income from abroad = Rs.100 crores

Net indirect taxes = Rs.150 crores

$NP_{FC} = GDP_{MP} + \text{Net factor income from abroad} - \text{Depreciation} - \text{Net indirect taxes}$

Putting these values in the formula,

$850 = 1100 + 100 - \text{Depreciation} - 150$

$850 = 1100 - 50 - \text{Depreciation}$

$850 = 1050 - \text{Depreciation}$

Depreciation = $1050 - 850 = \text{Rs.}200$ crores

So, depreciation is Rs.200 crores.

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