Q10. In a single day Raju, the barber, collects Rs 500 from haircuts; over this day, his equipment depreciates in value by Rs 50. Of the remaining Rs 450, Raju pays sales tax worth Rs 30, takes home Rs 200 and retains Rs 220 for improvement and buying of new equipment. He further pays Rs 20 as income tax from his income. Based on this information, complete Raju's contribution to the following measures of income (a) Gross Domestic Product (b) NNP at market price (c) NNP at factor cost (d) Personal income (e) Personal disposable income.

Ans:

(i) GDP_{MP} = Rs.500 [Barber collects from haircut]

(ii) NNP_{MP} = GDP – Depreciation

= 500 – 50

= Rs.450

(iii) NNP_{FC} = NNP – Sales tax

= 450 – 30

= Rs.420

(iv) PI = NNP_{FC} – Retained earnings

= 420 – 220

= Rs.200

(v) PDI = PI – Income tax

= 200 – 20

= Rs.180

Q11. The value of the nominal GNP of an economy was Rs 2,500 crores in a particular year. The value of GNP of that country during the same year, evaluated at the prices of same base year, was Rs 3,000 crores. Calculate the value of the GNP deflator of the year in percentage terms. Has the price level risen between the base year and the year under consideration?

Ans: Nominal GNP = Rs.2500

Real GNP = Rs.3000

$$\text{GNP deflator} = \frac{\text{Nominal GNP}}{\text{Real GNP}} \times 100$$

So,

$$\text{GNP deflator} = \frac{2500}{3000} \times 100$$

= 83.33%

No, the price level has fallen down by 16.67 % [(100 – 83.33) %].

********** END **********