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 = Rs.2000 crores.
G – T = (-) 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 (NNP_{FC}) = Rs.850 crores

GDP_{MP} = Rs.1100 crores

Net factor income from abroad = Rs.100 crores

Net indirect taxes = Rs.150 crores

$NNP_{FC} = GDP_{MP} +$ Net factor income from abroad – Depreciation – Net indirect taxes

Putting these values in the formula,
850 = 1100 + 100 – Depreciation – 150
850 = 1100 – 50 – Depreciation
850 = 1050 – Depreciation
Depreciation = 1050 – 850 = Rs.200 crores
So, depreciation is Rs.200 crores.

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