



Q8. Net National Product at Factor Cost of a particular country in a year is Rs 1,900 crores. There are no interest payments made by the households to the firms/government, or by the firms/government to the households. The Personal Disposable Income of the households is Rs 1,200 crores. The personal income taxes paid by them is Rs 600 crores and the value of retained earnings of the firms and government is valued at Rs 200 crores. What is the value of transfer payments made by the government and firms to the households?

Ans: NNP_{FC} = Rs.1900 crores

PDI = Rs.1200 crores

Personal income tax = Rs.600 crores

Value of retained earnings = Rs.200 crores

$PDI = NNP_{FC} - \text{Value of retained earnings of firms and government} + \text{value of transfer payments} - \text{personal tax}$

$1200 = 1900 - 200 + \text{Value of transfer payments} - 600$

$1200 = 1100 + \text{Value of transfer payments}$

Value of transfer payment = $1200 - 1100 = \text{Rs } 100 \text{ crores}$

Q9. From the following data, calculate Personal Income and Personal Disposable Income.

| | | Rs (Crore) |
|-----|-------------------------------------|------------|
| (a) | Net Domestic Product at factor cost | 8,000 |
| (b) | Net Factor Income from abroad | 200 |
| | | |

| | | |
|-----|---------------------------------|-------|
| (C) | Undisbursed Profit | 1,000 |
| (d) | Corporate Tax | 500 |
| (e) | Interest Received by Households | 1,500 |
| (f) | Interest Paid by Households | 1,200 |
| (g) | Transfer Income | 300 |
| (h) | Personal Tax | 500 |

Ans: Personal Income = NDP_{FC} + Net factor income from abroad (NFIA) + Transfer Income – Undistributed profit – corporate tax – Net interest paid by households

NDP_{FC} = Rs.8000 crores

NFIA = Rs.200 crores

Transfer Income = Rs.300 crores

Undistributed profit = Rs. 1,000 crores

Corporate tax = Rs.500 crores

Net interest paid by households = Interest paid – Interest received
= 1200 – 1500

= (-) Rs.300 crores

So, putting the values in the above formula

PI = 8000 + 200 + 300 – 1000 – 500 – (- 300)

= 8000 + 200 + 300 – 1000 – 500 + 300

PI = 7300

So, Personal Income = Rs.7300 crores

Personal Disposable income = Personal Income – Personal Payments

= 7300 – 500

= Rs.6800 crores

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