

- ① Trade Balance and Net Exports
  - ② Exchange Rate, variable that affect ~~flow of~~ capital outflow.
  - ③ flexible and fixed exchange
- ↓
- dep and devaluation  
Appreciation and revaluation.
- ④ BOP

2. On the basis of the following information relating to the Indian Economy, estimate (a) GNP at Market Prices, (b) Private Income, (c) Personal Income, and (d) Personal disposable Income.

	NDP (Fc)	Rs. Crores
(i) Net domestic product at factor cost		81429
(ii) Income from domestic product accruing to the Government sector		2333
(iii) Net factor income from abroad		(-) 201
(iv) Indirect Taxes		12876
(v) Subsidies		2300
(vi) Interest on national debt		964
(vii) Transfers from Government administrative departments		1981
(viii) Other current transfers from the rest of the world		1271
(ix) Corporation-tax		1251
(x) Undistributed corporate profits		464
(xi) Direct taxes paid by households		2100
(xii) Consumption of fixed capital		5699

$$GDP_{MP} = NDP_{Fc} + \text{dep} + \text{consumption of fixed cap} + \text{indirect tax} - \text{subsidy}$$

$$= 81429 + 5699 + 12876 - 2300$$

$$GDP_{MP} = 97704$$

$$GNP_{MP} = GDP_{MP} + NFIA$$

$$= 97704 - 201$$

$$= 97503$$

(b) NOTE: formula for private income

$$PI = \text{Private I} - (\text{undis's comp'n and outtax}) \text{ accruing to pvt sector}$$

$$+ \text{NFIA} + \text{transfer payments}$$

National Disposable Income	Private Income	Personal Income
	Includes factor income as well as Transfer income (Earned income + Unearned income)	

Personal Income	Factor Income	Personal Income
It is the income from all the sources (Earned Income as well as transfer payment from abroad) available to resident of a country for consumption. Expenditure or saving during a year. NNPFC + Net Indirect tax + Net current transfer from abroad = Net National Disposable Income. (Gross National Disposable Income includes depreciation)	Includes factor income as well as Transfer income (Earned income + Unearned income) Factor income from net domestic product accruing to private sector includes income from enterprises owned and controlled by the private individual. Excludes:- 1. Property and entrepreneurial income of the Gov. departmental enterprise 2. Savings of the Non-departmental Enterprise. Factor Income from NDP Accruing to private sector = NDPFC (-) income from properly entrepreneurship accruing to the govt departmental Enterprises (-) savings of Non departmental enterprises. Private Income Includes ✓ Factor income from net domestic product accruing to private sector. ✓ + Net factor income from abroad ✓ Interest on National Debt ✓ Current transfer from Govt. ✓ Current transfer from rest of the world.	PI is the income Actually received by the individuals and households from all sources in the form of factor income and current transfers. Personal income = Private Income (-) corporation tax. (-) Corporate Savings OR Undistributed profits Personal disposable income Personal income (-) Direct Personal tax (-) Miscellaneous Receipts of the govt. Administrative department (fees and fines paid by house hold.)

$$+ \text{NFIA} + \text{payments}$$

$$\begin{aligned}
 & \text{NDP} + \text{NFIA} \\
 & \text{FC} = 81429 \\
 & \quad - 201 \\
 & \text{NNPFC} = 81228
 \end{aligned}$$

$$\text{NDP}_{FC} + \text{NFIA} = \text{NNP}_{FC} \text{ (NI)}$$

$$81429 - 201 = 81228 \checkmark$$

$$\begin{aligned}
 \text{Prt inow} &= \text{NNP}_{FC} + \text{transfer payments} - \text{income for govt subm} \\
 &= (81228) + (1981 + 1271 + 964) - 2333 \\
 &= 83111 \checkmark
 \end{aligned}$$

$$\begin{aligned}
 \text{Personal income} &= \text{Prt income} + 2333 - 464 - 1251 \\
 &= 83111 + 2333 - 1715 \\
 &= 83111 + 618 \\
 &= 83729 \checkmark
 \end{aligned}$$

$$\begin{aligned}
 \text{DPI} &= \text{PI} - \text{direct tax} = 83729 - 2100 \\
 &= 81629 \text{ (ans)} \checkmark
 \end{aligned}$$

✓ **Problem 3.** Calculate (1) Net Domestic Product at Market Prices and (2) National Income from the following data of all the enterprises in an economy.

	₹ in Crore
(i) Subsidies	10
(ii) Sales	1000
(iii) Closing stock	100
(iv) Indirect taxes	50
(v) Intermediate consumption	300
(vi) Opening stock	200
(vii) Consumption of fixed capital	150
(viii) Net factor income from abroad	10

✓ **Problem 6.** Calculate gross domestic product at market prices ( $GDP_{MP}$ ), gross domestic product at factor cost ( $GDP_{FC}$ ) and net national product at factor cost ( $NNP_{FC}$ ) from the following data:

	₹ in Crore
(i) Private final consumption expenditure	290
(ii) Government's final consumption expenditure	50
(iii) Subsidies	20
(iv) Gross domestic fixed capital formation	105
(v) Indirect taxes	70
(vi) Depreciation (i.e., Consumption of Fixed Capital)	45
(vii) Net factor income from abroad	(-) 5
(viii) Net addition to stock	15
(ix) Net exports	(-) 5

✓ **Q. Find NNP at mkt price.**

Items	(₹ in crore)
1. Personal taxes	200
2. Wage and Salaries	1200
3. Undistributed Profit	50
4. Rent	300
5. Corporation tax	200
6. Private Income	2000
7. Interest	400
8. Net Indirect tax	300
9. Net factor income to abroad	20
10. Profit	500
11. Social Security contributions by employers	250