

National Income (Revision)

Q Find NNP at MP?

| 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 ✓ |

$$\begin{aligned}
 \text{NDP at FC} &= (2+4+7+10+11) \\
 &= 1200 + 300 + 400 + 500 + 250 \\
 &= 2650
 \end{aligned}$$

$$\begin{aligned}
 \text{NNP at MP} &= \text{NDP}_{FC} - \text{NFIA} \\
 &\quad + \text{Net indirect tax} \\
 &= 2650 - 20 + 300 \\
 &= 2930 \text{ (ans)}
 \end{aligned}$$

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 ✓ |

$$GDP_{MP} = C + I + G + NX + \text{change in stock}$$

$$\begin{aligned}
 &= 290 + 50 + 105 + 15 \\
 &\quad - 5 \\
 &= 455 \text{ crores.}
 \end{aligned}$$

$$\begin{aligned}
 \text{NDP}_{MP} &= 455 - 45 \\
 &= 410 \text{ crore.}
 \end{aligned}$$

$$\begin{aligned}
 \text{NNP}_{FC} &= \text{NDP}_{FC} + \text{NFIA} \\
 &= \text{NDP}_{MP} - \text{Indirect tax} + \text{Subsidy} + \text{NFIA} \\
 &= 410 - 70 + 20 - 5 = 355 \text{ crore.}
 \end{aligned}$$

$$\begin{aligned}
 \text{GDP}_{FC} &= \text{GDP}_{MP} - \text{Net indirect taxes} \\
 &= 455 - 70 + 20 = 405 \text{ crore.}
 \end{aligned}$$

Problem 5. Calculate Gross Domestic Product at Market Prices and Net National Product at Factor Cost and Gross Domestic Product at Factor Cost from the following data:

₹ in Crore

| | | |
|---------------|---|------------|
| dep * | (i) Net indirect taxes | 38 |
| | (ii) Consumption of fixed capital | 34 |
| | (iii) Net factor income from abroad | (-3) |
| Income Method | (iv) Rent | 100 |
| | (v) Profits | 125 |
| | (vi) Interest | 20 |
| | (vii) Mixed Income of self-employed | 120 |
| | (viii) Wages and salaries | 170 |
| | (ix) Employers' contribution to social security schemes | 30 |
| | | 565 |

① \checkmark $NDP_{fc} = 565$ \rightarrow $GDP_{fc} = NDP_{fc} + dep$
 $= 565 + 34$
 $= 599$ (ans)

② \checkmark $NNP_{fc} = 565 - 3 = 562$
 $= 562$ (ans)

③ $GDP_{mp} = NNP_{fc} + dep - NFIA + \text{Net indirect tax}$
 $= 562 + 34 - (-3)$
 $= 562 + 37 + 38$
 $= 637$ (ans)

* $GDP(Y) = 6000$

$DPI = 5100$

govt budget def = 200

$C = 3800$
 $X-m = (-100)$

a) $S = DPZ - C$
 $= 5100 - 3800$
 $= 1300$

c) $def = G - T$
 $[200 = G - T]$

$DPI = Y - T + TR$
 $5100 = 6000 - T$

$$\begin{aligned} \therefore I &= Y - C - G - NX \\ &= 6000 - 3800 - 1100 \\ &\quad + 100 \\ &= 2300 - 1100 \\ &= \$1200 \text{ (ans)} \end{aligned}$$

$$\begin{aligned} 5100 &= 6000 - T \\ T &= 6000 - 5100 \\ &= \$900 \\ \therefore G &= 200 + 900 = 2100 + 900 \\ &= \$1100 \end{aligned}$$

② DPT
 (a) $= Y - T$ decrease
 $\therefore C(Y-T)$ decrease ✓
 and $S(Y-T)$ decrease

$$S - I = (G - T) + (NX)$$

$$S_p - I_p = NX \uparrow = G - T \downarrow$$

AD
 lower
 BS

$B = T - G$
 $BD \Rightarrow B < 0$
 $BS \Rightarrow B > 0$
 $B = G - T$
 $BD \Rightarrow B > 0$
 $BS \Rightarrow B < 0$

$\Delta G = 0 \Rightarrow$ budget def ↓
 (T ↑ and TR const)

$$G.I - NI = dep$$

(NFI) ⇒

1 more receipt from abroad

to abroad
 FDI
 FII

exp

$$GDP_{mp} = C + I + G + (x - m) + \text{inventory}$$

$$= 11943 + (1671 + 708 + 787) + (1048 - 1540)$$