



INDIAN SCHOOL AL WADI AL KABIR

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| Class: XII | Department: Commerce |
| Worksheet No:1 | Topic: National Income Accounting |

1.

Calculate the net value added at the market price of a firm:

| Items | Amount |
|-------------------------------------|--------|
| Sale | 400 |
| Change in stock | -20 |
| Depreciation | 30 |
| Net indirect taxes | 40 |
| Purchase of machinery | 200 |
| Purchase of an intermediate product | 250 |

Answer:

Value of output = Sale + Change in stock

$$= 400 + (-) 20$$

$$= 380$$

Gross value added at MP = Value of output – Purchase of an intermediate product

$$= 380 - 250 = 130/-$$

Net value added at MP = Gross value added at MP – Depreciation

$$= 130 - 30 = 100/-$$

Thus, the final answer = ₹ 100/-

2. Calculate:

i) GDPfc

ii) Factor Income to Abroad

| | |
|-------------|-----|
| 1. COE | 800 |
| 2. Profit | 200 |
| 3. Rent | 150 |
| 4. Interest | 100 |

| | |
|--------------------|------|
| 5. Dividend | 50 |
| 6. GNPmp | 1400 |
| 7. GDCF | 300 |
| 8. NDFCF | 200 |
| 9. Change in Stock | 50 |
| 10. FIfA | 60 |
| 11. NIT | 120 |

Soln: * $NDP_{fc} = COE + Rent + Int + Profit + MI = 1250$

* $GDCF = GDFCF + \Delta \text{ in stock} = NDFCF + Dep + \Delta \text{ in stock}$

Substituting $Dep = 50$

* $GDP_{fc} = NDP_{fc} + Dep$; Substituting $GDP_{fc} = 1300$

* $GNP_{mp} = GDP_{fc} + NIT + NFIfA$

Substituting $NFIfA = (-) 20$

$NFIfA = FIfA - FItA$

Substituting $FItA = 80$

3. Calculate:

i) NI

ii) Depreciation

| Sl.No. | Item | In Rs Crores |
|--------|--------------------------------|--------------|
| i. | PFCE | 210 |
| ii. | GDPmp | 320 |
| iii. | Wages and salary | 170 |
| iv. | Employer's contribution to SSS | 10 |
| v. | Interest | 20 |
| vi. | IT | 30 |
| vii. | Subsidy | 5 |
| viii. | Rent | 10 |
| ix. | Profit | 45 |
| x. | Royalty | 15 |
| xi. | NFIFA | 3 |

Soln:* $NDP_{fc} = \text{Wages \& Salary} + \text{Employer's contribution to SSS} + \text{Interest} + \text{Rent} + \text{Profit} = 270$

* $NNP_{fc} = NI = NDP_{fc} + NFIfA$. Substituting $NNP_{fc} = 273$

* $NDP_{fc} = GDP_{mp} - Dep + NIT$. Substituting $Dep = 25$

4. Calculate NI by:

i. Output Method

ii. Income Method

| Sl.No. | Item | In Rs Crores |
|--------|--------------------------------|--------------|
| i. | Value of output | 800 |
| ii. | Value of IC | 400 |
| iii. | Wages and salary | 110 |
| iv. | Employer's contribution to SSS | 10 |
| v. | Interest & Profit | 20 |
| vi. | IT | 60 |
| vii. | Subsidy | 10 |
| viii. | Rent & Royalty | 40 |
| ix. | Consumption of fixed capital | 50 |

| | | |
|------|------|-----|
| x. | FItA | 20 |
| xi. | FIfA | 10 |
| xii. | MI | 120 |

Soln:* NI by Output Method

$GDP_{mp} = \text{Value of output} - IC$

$NNP_{fc} = GDP_{mp} - Dep + NFIfA - NIT$

Substituting $NNP_{fc} = NI = 290$

*** NI by Income Method:**

$NDP_{fc} = \text{Wages \& Sal} + \text{employer's contribution to SSS} = \text{Rent} + \text{Royalty} + \text{Interest} + \text{Profit} + \text{Mixed Income}$

$NNP_{fc} = NDP_{fc} + NFIfA$

Substituting $NNP_{fc} = 290$

5. Calculate NI by:

i. Output Method

ii. Expenditure Method

| Sl.No. | Item | In Rs Crores |
|--------|-------------------------------------|--------------|
| i. | GDCF | 250 |
| ii. | Net Export | -50 |
| iii. | PFCE | 1000 |
| iv. | Value of output of primary sector | 900 |
| v. | Value of output of secondary sector | 800 |
| vi. | Value of output of tertiary sector | 400 |
| vii. | IC of primary sector | 400 |
| viii. | IC of secondary sector | 300 |
| ix. | IC of tertiary sector | 100 |
| x. | Consumption of fixed capital | 80 |
| xi. | IT | 100 |
| xii. | GFCE | 100 |
| xiii. | Subsidies | 10 |
| xiv. | NFIfA | - 20 |

Soln:* NI by Output Method

$GDP_{mp} = \text{Value of output} - IC$

$= (\text{Value of output of primary sector} + \text{Value of output of secondary sector} + \text{Value of output of Tertiary sector}) - (\text{IC of primary sector} + \text{IC of secondary sector} + \text{IC of Tertiary sector})$

$NNP_{fc} = GDP_{mp} - Dep + NFIfA - NIT$

Substituting $NNP_{fc} = NI = 1110$

*** NI by Expenditure Method:**

$GDP_{mp} = PFCE + GFCE + GDCF + \text{Net export}$

$NNP_{fc} = GDP_{mp} - Dep + NFIfA - NIT$

Substituting $NNP_{fc} = 1110$

6. Calculate NI by:

i. Expenditure Method

ii. Income Method

| Sl.No. | Item | In Rs Crores |
|--------|--------------------------------|--------------|
| i. | PFCE | 800 |
| ii. | GFCE | 300 |
| iii. | COE | 600 |
| iv. | Employee's contribution to SSS | 60 |

| | | |
|-------|------------------------------|-----|
| v. | Interest | 80 |
| vi. | NIT | 100 |
| vii. | Dividend | 150 |
| viii. | Rent & Royalty | 120 |
| ix. | Consumption of fixed capital | 20 |
| x. | Undistributed profit | 80 |
| xi. | NFIfA | -70 |
| xii. | Corporate tax | 50 |
| xiii. | Net Imports | 50 |
| xiv. | GDCF | 150 |

Soln: NI by Expenditure Method:

$GDP_{mp} = PFCE + GFCE + GDCF + \text{Net export}$

$NNP_{fc} = GDP_{mp} - Dep + NFIfA - NIT$

$GNP_{fc} = NNP_{fc} + Dep$

Substituting $GNP_{fc} = 1030$

*** NI by Income Method:**

$NDP_{fc} = COE + \text{Rent} + \text{Royalty} + \text{Interest} + \text{Profit} + \text{Mixed Income}$

$\text{Profit} = \text{Dividend} + \text{Undistributed profit} + \text{Corporate Tax},$

$NNP_{fc} = NDP_{fc} + NFIfA$

$GNP_{fc} = NNP_{fc} + Dep$

Substituting $GNP_{fc} = 1030$

NOTE

* i. Employee's contribution to SSS is not included

* ii. $MI = 0$

7. Calculate GNPmp by:

i. Expenditure Method

ii. Income Method

| Sl.No. | Item | In Rs Crores |
|--------|--------------------------------|--------------|
| i. | PFCE | 900 |
| ii. | GFCE | 450 |
| iii. | COE | 500 |
| iv. | Employee's contribution to SSS | 60 |
| v. | Interest | 150 |
| vi. | NIT | 100 |
| vii. | Mixed Income | 400 |
| viii. | Rent & Royalty | 100 |
| ix. | Consumption of fixed capital | 120 |
| x. | Profit | 350 |
| xi. | NFIfA | -20 |
| xii. | Net Exports | -30 |
| xiii. | NDCF | 280 |

Soln: NI by Expenditure Method:

$GDP_{mp} = PFCE + GFCE + GDCF + \text{Net export}$

$= PFCE + GFCE + NDCF + Dep + \text{Net export} = 1720$

$GNP_{mp} = GDP_{mp} + NFIfA = GNP_{mp} = 1700$

*** NI by Income Method:**

$NDP_{fc} = COE + \text{Rent} + \text{Royalty} + \text{Interest} + \text{Profit} + \text{Mixed Income} = 1500$

$NDP_{fc} + NFIfA + Dep + NIT = GNP_{mp} = 1700$

8. Calculate:

i. GDPmp

ii. FIfA

| Sl.No. | Item | In Rs Crores |
|--------|-------------------------------|--------------|
| i. | GNPfc | 2800 |
| ii. | GFCF | 700 |
| iii. | COE | 1500 |
| iv. | Net current transfer from ROW | 90 |
| v. | Interest | 400 |
| vi. | NIT | 250 |
| vii. | Mixed Income | 0 |
| viii. | Rent & Royalty | 300 |
| ix. | Profit | 500 |
| x. | Change in stock | 50 |
| xi. | FItA | 120 |
| xii. | Exports | 40 |
| xiii. | NDCF | 650 |

Soln: * GDPmp = NDPfc + Dep + NIT (Eqn 1)

** NDPfc = COE + Rent + Royalty + Interest + Profit + Mixed Income = 2700

NDPfc + NFIfA = GNPfc

Or 2700 + Dep + NFIfA = 2800 or NFIfA = 0

NDCF + Dep = GDCF = GDFCF + Ch in stock

Or Dep = 100

Substituting in Eqn 1 we get GDPmp = 2700 + 100 + 250 = 3050

NFIfA = FIfA - FItA = 0

or FIfA = FItA + 0 = 120

1. Select the meaning of non-market activities from the following options

- Production
- Non-marketable**
- Involuntary
- Economic

2. Nominal GNP is the same as,

- GNP at constant prices
- Real GNP
- GNP at current prices**
- GNP less net factor income from abroad

3. Which of the following is an example of transfer payment:

- Free meals in the company canteen
- Employers' contribution to social security
- Retirement pension
- Old-age pension**

4. In terms of Economics, total value of output (goods and services) produced and income received in a year by the domestic residents of a country put together is called?

- Net National Product
- Gross national product**
- Gross national income

d. National Income

5. What must be added to the domestic factor income to avail national income?

Net factor income from abroad must be added to the domestic factor income to avail national income.

6. Providing the reason, explain whether the following are included in the domestic product of India.

a. Profits earned by a branch of the foreign bank in India

Answer: Profits earned by a branch of the foreign bank in India will be included in the domestic income of India because the profits are earned within the domestic territory of India

b. Payment of salaries to its staff by an embassy located in New Delhi

Answer: Payment of salaries to its staff by an embassy located in New Delhi will not be involved in the domestic income of India as it is not a part of the domestic territory of India.

c. Interest received by an Indian resident from its abroad firms

Answer: Interest received by an Indian resident from its abroad firms will not be included in the domestic income of India because it is the factor income from abroad.

1. $GNP_{MP} =$ _____

- (A) $GDP_{MP} - \text{Depreciation}$
- (B) $GDP_{MP} + \text{Depreciation}$
- (C) $GDP_{MP} \div \text{Depreciation}$
- (D) $GDP_{MP} + \text{Net factor income from abroad}$

2. $NDP_{MP} =$ _____

- (A) $GDP_{MP} - \text{Depreciation}$
- (B) $GDP_{FC} + \text{Net factor income from abroad}$
- (C) $NNP_{FC} + \text{Net indirect taxes}$
- (D) All of these

3. $NNP_{MP} =$ _____

- (A) $GNP_{MP} - \text{Depreciation}$
- (B) $NDP_{MP} + \text{Net factor income from abroad}$
- (C) $NNP_{FC} + \text{Net indirect taxes}$
- (D) **All of these**

4. $GDP_{FC} =$

- (A) $GDP_{MP} - \text{Net indirect taxes}$
- (B) $GDP_{MP} + \text{Net indirect taxes}$
- (C) $GDP_{MP} + \text{Subsidies}$
- (D) $GDP_{MP} - \text{Indirect taxes}$

5. $NDP_{FC} =$

- (A) $GDP_{FC} - \text{Indirect taxes}$
- (B) $GDP_{FC} - \text{Depreciation}$
- (C) $GDP_{FC} + \text{Economic subsidy}$
- (D) All of these

6. $NNP_{FC} =$
- (A) $GNP_{FC} - \text{Depreciation}$
 - (B) $NNP_{MP} + \text{Economic subsidy} - \text{Indirect taxes}$
 - (C) $NDP_{MP} + \text{Net factor income from abroad}$
 - (D) **All of these**
7. Which of the following is the method of measuring National Income?
- (A) Income method
 - (B) Product method
 - (C) Expenditure method
 - (D) **All of these**
8. Why are the intermediate goods not included in the National Income while measuring National Income?
- (A) **To avoid double accounting**
 - (B) It decreases income
 - (C) Intermediate goods are not good
 - (D) All of these
9. Which of the following items are excluded from GNP measurement?
- (A) Purely financial transactions
 - (B) Transfer of used goods and non-market goods and services
 - (C) Illegal activities and the value of leisure
 - (D) **All of these**
10. Examples are steel sheets used for making automobiles and copper used for making utensils. Here Steel and Copper Can be Resembled as _____
- a. Final goods
 - b. Consumption goods
 - c. Capital Goods
 - d. **Intermediate goods**
11. _____ Means GDP evaluated at a set of constant prices.
- a. Nominal GDP
 - b. **Real GDP**
 - c. GNP
 - d. GNP AT Market prices
12. Contribution made by entrepreneurship, remuneration of which is _____ & contribution made by fixed natural resources (called 'land'), remuneration for which is called _____.
- a. Interest, Rent
 - b. **Profit, Rent**
 - c. Profit, Interest
 - d. Interest, Profit
13. Deletion, which is made from the value of gross investment in order to accommodate regular wear and tear of capital, is called _____
- a. Appreciation

b. Depreciation

- c. Addition
- d. Deletion

14. If Farmer supplies a wheat of 100 Rs. Baker sells the Produce a Cake at 200 Rs. Baker also uses 50 Rs. as a cost of intermediate Goods used In Cake. what Is the amount of a Total Value addition?
- a. 300
 - b. 100
 - c. 150**
 - d. 250
15. Which of the following is a method to measure the National Income?
- a. Expenditure method
 - b. Income method
 - c. Product method
 - d. All of the above
- A: d
16. The difference between the National Income and the Net National Product at market price is known as _____.
- a. National debt transfer
 - b. Current transfers from the rest of the world
 - c. Net indirect taxes
 - d. All of the above
- A: c
17. Which of the following is included in the National Income of a country?
- a. Rent
 - b. Interest
 - c. Wages
 - d. Rent, Interest, Wages, Salary, Profits
- A: d
18. What is the consumption of Fixed Capital known as?
- a. Depreciation
 - b. Capital Formation
 - c. Investment
 - d. All of the above
- A: a
19. Purchase of refrigerator by a restaurant is:
- a) Consumption expenditure on durable good
 - b) Consumption expenditure on non-durable good
 - c) Intermediate expenditure
 - d) Final expenditure
- A: d
20. Capital and investment are
- a) Both flows
 - b) Both stocks

- c) Capital is stock while investment is flow
 - d) Investment is stock while capital is flow
- A: c

21. Chinese embassy in India is a part of economic territory of:

- a) China
 - b) India
 - c) Both China and India
 - d) International area
- A: a

22. Given GDP at mp = 100, subsidies = 5 and depreciation = 10, then NDP at fc equals:

- a) 95
- b) 100
- c) 105
- d) 115

A: 95

23. Those goods which satisfy human wants directly are called:

- a) intermediate goods
- b) consumer goods
- c) capital goods
- d) none of these

A: b

24. In the production of sugar, sugarcane is:

- a) a final good
- b) a capital good
- c) an intermediate good
- d) none of these

A: c

25. Increase in the stock of capital is known as:

- a) capital loss
- b) capital gain
- c) capital formation
- d) None of these

A: c

26. Operating Surplus =

- a) Rent + Profit + Interest
- b) Rent + Interest + Compensation of employees
- c) NDP at FC – Compensation of employees – Mixed income of self-employed
- d) both a) and c)

A: d

27. Problem of double counting can be avoided by using:

- a) final output method
- b) value-added method
- c) both a) and b)
- d) neither a) nor b)

A: c

28. Which of the following is irrelevant in the estimation of compensation of employees?

- a) Free accommodation provided to the school principals
- b) Free education of the students whose parents are working in schools
- c) Wages and salaries in cash
- d) Old age pensions

A: d

29. Which of the following is a phase of the circular flow of income?

- a) Generation Phase
- b) Distribution Phase
- c) Disposition Phase
- d) All of these

A: d

30. In a closed economy..... is not included.

- a) Households
- b) Firms
- c) Government
- d) Foreign sector

A: c n d

31. Which of the following are covered under the domestic territory of India?

- a) state bank of India in London
- b) Google office in India
- c) Office of Tata Motors in Australia
- d) Russian Embassy in India

A: b

32. Which one of the following is not an example of final goods?

- a) Chalk, dusters, etc. purchased by a school
- b) seeds used by the farmers
- c) milk used by a sweets shop
- d) All of the above

A: d