



# **ECONOMICS**

**BOOKS - RADHA BHUGANA**

**ECONOMICS (HINGLISH)**

**NATIONAL INCOME AND RELATED**

**AGGREGATES : SOME BASIC CONCEPTS**

**Example**

## 1. Calculate NDP at FC :

Particulars		₹ in Lakhs
(i)	GNP at MP	16,000
(ii)	Subsidies	1,200
(iii)	Depreciation	1,000
(iv)	Factor income received from abroad	1,400
(v)	Indirect taxes (GST)	1,300



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## 2. Calculate $GNP_{FC}$ :

Particulars		₹ in Crores
(i)	$NDP_{MP}$	25,000
(ii)	Depreciation	15,000
(iii)	Indirect taxes (GST)	1,300
(iv)	Subsidies	300
(v)	Factor income from abroad	400
(vi)	Factor income to rest of the world	600



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### 3. Calculate consumption of fixed capital :

	<i>Particulars</i>	<i>₹ in Crores</i>
(i)	$NNP_{FC}$	4,000
(ii)	$GDP_{MP}$	5,000
(iii)	Net indirect tax	300
(iv)	Net factor income from abroad	1,200



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4. Suppose in an imaginary economy, GDP at Market Price in a particular fiscal year was Rs. 4,000 crores, National Income was Rs. 2,500 crores, Net Factor Income paid by the economy to Rest of the World was Rs. 400 crores and the value of Net Indirect Taxes is

Rs. 450 Crores. Estimate the value of consumption of fixed capital for the economy from the given data.



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## 5. Calculate Net Indirect Tax :

	<i>Particulars</i>	<i>₹ in Crores</i>
(i)	$GNP_{MP}$	1,7000
(ii)	$NDP_{FC}$	6,200
(iii)	Depreciation	600
(iv)	Net factor income from abroad	(-) 400



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6. On the basis of following real data at current prices of Indian economy during 1982-83, find out

$NNP_{FC}$ ,  $NNP_{MP}$ ,  $GNP_{MP}$ ,  $GDP_{MP}$ ,  $GNP_{FC}$  and  $NDP_{MP}$  :

Particulars		₹ in Crore
(i)	$NDP_{FC}$	1,33,151
(ii)	Depreciation	11,242
(iii)	Net indirect taxes	19,400
(iv)	Net income from abroad	(-),000



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7. Calculate from the following data :

(i) Net domestic product at market price

$(NDP_{MP})$ .

(ii) Net national product at market price

$(NNP_{MP})$ .

(iii) Net national product at factor cost

$(NNP_{FC})$ .

(iv) Gross national product at market price

$(GNP_{MP})$

	<i>Particulars</i>	<i>₹ in Crores</i>
(i)	Depreciation	100
(ii)	Net income from abroad	800
(iii)	Gross domestic product ( $GDP_{MP}$ )	15,000
(iv)	Subsidies by government	50
(v)	Indirect taxes (GST)	75



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8. From the information given below calculate

(a)  $GDP_{MP}$  (b)  $NNP_{FC}$  :

Particulars		₹ in Crores
(i)	$NDP_{MP}$	74,905
(ii)	Net indirect taxes	8,344
(iii)	Income from domestic product accruing to government	1,972
(iv)	Current transfers to households	2,305
(v)	Depreciation	4,486
(vi)	Net factor income from abroad	(-) 232



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9. Find out  $NDP_{MP}$  from given data :

Particulars		₹ in Crores
(i)	$GNP_{MP}$	97,503
(ii)	Net factor income from abroad	(-) 201
(iii)	Net indirect taxes	10,576
(iv)	Consumption of fixed capital	5,699



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10.  $GNP_{MP}$  of an imaginary economy is Rs. 1,20,000 crore and its capital stock is worth Rs. 3,00,000 crore. If capital stock depreciation is @ 20 % per annum, indirect taxes amount to Rs 30,000 crore and subsidies are Rs. 15,000 crore. What is national income ?



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11. Calculate  $NNP_{MP}$  from the following :

Particulars		₹ in Crores
(i)	$GDP_{MP}$	50,000
(ii)	Depreciation	5,000
(iii)	NIT	4,000
(iv)	NFIA	(-) 1,000



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12. Find  $NDP_{FC}$

Particulars		₹ in Crores
(i)	$GNP_{MP}$	14,000
(ii)	Depreciation	600
(iii)	Indirect taxes (GST)	1,000
(iv)	Subsidies	200
(v)	Factor income received from abroad	400
(vi)	Factor income paid abroad	500



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13. Find  $GDP_{FC}$  from the following data :

	Particulars	₹ in Crores
(i)	$GNP_{MP}$	500
(ii)	Consumption of fixed capital	20
(iii)	Factor income from abroad	300
(iv)	Net indirect taxes	20
(v)	Factor income paid abroad	100



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Let Us Recapitulate

1. Classify the following as intermediate goods or final goods :

Paper purchased by a publisher.



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**2.** Classify the following as intermediate goods or final goods :

Milk purchased by households.



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**3.** Classify the following as intermediate goods or final goods :

Purchase of sugar by a grocery shop.



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4. Classify the following as intermediate goods or final goods :

Cloth used by a tailor.



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5. Classify the following as intermediate goods or final goods :

Construction of houses by the consumer households.



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6. Classify the following as intermediate goods or final goods :

Furniture purchased by a school



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7. Classify the following as intermediate goods or final goods :

Chemical fertilizers used by the farmers.





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**8.** Classify the following as intermediate goods or final goods :

Machine purchased for installation in a factory.



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**9.** Classify the following as intermediate goods or final goods :

Coal purchased by a factory.



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**10.** Classify the following as intermediate goods or final goods :

Textbook purchased by a student.



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**11.** Classify the following as intermediate goods or final goods :

Books purchased by a book seller.





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**12.** Classify the following as intermediate goods or final goods :

Expenditure on research and development by a company.



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**13.** Classify the following as intermediate goods or final goods :

Seeds purchased by a farmer.





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**14.** Classify the following as intermediate goods or final goods :

Electricity consumption in a business.



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**15.** Classify the following as intermediate goods or final goods :

Mobile sets purchased by a mobile dealer.





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**16.** Classify the following as intermediate goods or final goods :

Chalks dusters etc. purchased by a school.



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**17.** Classify the following as intermediate goods or final goods :

Milk purchased by a hotel.



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**18.** Classify the following as intermediate goods or final goods :

Fees paid to the lawyer by a producer.



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**19.** Classify the following as intermediate goods or final goods :

Computers installed in an office.



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**20.** Classify the following as intermediate goods or final goods :

Unsold wood with furniture producing firm at the end of a year.



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**21.** Identify the domestic territory of India :

1. Indian embassy in Australia.
2. Branch of American bank in India.
3. American embassy in India

4. Branch of an indian company in London.
5. Indian consulates in France.
6. Branch of State Bank of India in France.
7. Indian Military forces sent to maintain peace in Syria.
8. Microsoft office in India.



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**22. Identify the following as Normal Residents of India :**

Indian officials working in the Indian Embassy  
in China.



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**23.** Identify the following as Normal Residents  
of India :

An American tourist who stays in India for 2  
months.



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**24.** Identify the following as Normal Residents of India :

Indians going to australia for watching the cricket match.



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**25.** Identify the following as Normal Residents of India :

Indian employes working in W.H.O.located in India.





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**26.** Identify the following as Normal Residents of India :

American tourists visiting India for a month to see the Commonwealth games.



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**27.** Identify the following as Normal Residents of India :

Indian going for medical treatment to U.S.





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**28.** Are the following normal residents of Indian economy?

(i) Indian workers employed in the power projects of Nepal on daily wages and crossing into Indian territory every week.

(ii) Indians working in the U.S.A embassy in India.



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**29.** Identify the following as Normal Residents of India :

An American citizen visiting India for attending a business meeting.



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**30.** Identify the following as Normal Residents of India :

Indians working in USA embassy in India.



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**31.** Identify the following as Normal Residents of India :

Students from India going to Australia for higher studies.



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**32.** Classify the following as factor income or transfer income

Rent received by the owner of a factory building from the industrialist.



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**33.** Classify the following as factor income or transfer income

Dearness allowance added to basic salary of an employee.



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**34.** Classify the following as factor income or transfer income

Financial help to victims of Uttarakhand tragedy.



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**35.** Classify the following as factor income or transfer income

Salary received by an employee of State Bank of India.



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**36.** Classify the following as factor income or transfer income

Old age pension received by public.



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**37.** Classify the following as factor income or transfer income

Taxes paid to government.



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1. Goods which are purchased for resale are

- A. final goods
- B. capital goods
- C. intermediate goods
- D. none of these

**Answer: C**



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2. Fall in the value of assets due to expected obsolescence is

- A. capital loss
- B. depreciation
- C. shut down point
- D. all of these.

**Answer: B**



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3.

Normal residents of India

- A. an official working in Indian embassy in America
- B. Indian visiting Japan as tourist
- C. Indian working in W.H.O. located in India
- D. all of these.

**Answer: D**



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4. Salary paid to worker is an example of

A. transfer income

B. govt. revenue

C. factor payment

D. none of these

**Answer: C**



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5. Aggregate used for domestic income

A.  $NDP_{FC}$

B.  $NNP_{FC}$

C.  $GNP_{MP}$

D.  $NNP_{MP}$

**Answer: A**



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6. A car purchased by a dealer of cars is :

- A. consumer good
- B. capital goods
- C. intermediate goods
- D. all of these.

**Answer: C**



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7. National income is the sum of factor incomes accruing to

A. Nationals

B. Economic territory

C. Residents

D. Both residents and non-residents

**Answer: C**



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8. Depreciation of fixed capital assets refers to :

A. Normal wear and tear

B. Foreseen obsolescence

C. Normal wear and tear and foreseen obsolescence

D. unforeseen obsolescence

**Answer: C**



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9. Unforeseen obsolescence of fixed capital assets during production is : (Choose the correct alternate)

A. Consumption of fixed capital

B. Capital loss

C. Income loss

D. None of the above.

**Answer: B**



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10. GST was introduced in Indian economy in :

A. 2008

B. 2010

C. 2015

D. 2017

**Answer: D**



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1. Define domestic territory.



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2. Define normal resident.



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3. What is factor income ?



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4. What is transfer income ?



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5. What are final products ?



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6. Define an intermediate good.



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7. What are consumption goods ?



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8. What are capital goods ?



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9. Define gross investment.



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**10. Define net investment.**



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**11. Define depreciation.**



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**12. What is net indirect tax ?**



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13. What is net factor income from abroad ?



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14.

What are the three components of NFIA ?



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15.

Define domestic income ( $NDP_{FC}$ ).



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16.

Define national income ( $NNP_{FC}$ ).



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17. Give two examples of intermediate goods.



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**18.** Define capital formation.



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## Conceptual Questions

**1.** What is difference between intermediate goods and final goods ?



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2. Classify the following as final goods or intermediate goods :

(i) Clothes purchased by an individual household.

(ii) Textbooks purchased by a student.

(iii) Seeds purchased by a farmer to grow wheat.

(iv) Machines purchased by a dealer of machines.

(v) Car purchased by a household.

(vi) Refrigerator purchased by an individual household.



- (vii) Refrigerator purchased by a confectioner.
- (viii) Refrigerator purchased by a dealer of refrigerators.
- (ix) Butter purchased by a bakery shop for making cakes.
- (x) Butter purchased by a household for consumption.



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**3.** Why does national income include only final goods ?



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4.

When does NFIA become positive or negative ?



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5. What are retained earnings ?



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6. Differentiate between gross domestic product at market price and national income.



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7. Classify the following as factor income or transfer income :

(i) Old age pension.

(ii) Salary received by Amit from a company.

(iii) Financial help to earthquake victims.

(iv) Rent received from buildings.

(v) Wages received from employer.

(vi) Birthday gift received from a relative.

(vii) Rent free accommodation from employer.

(viii) Donations received by a charitable trust.



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**Hots**

1. Define replacement of capital.



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2. What is low level equilibrium trap ?



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3. Define production boundary.



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4. What is the difference between goods (material goods) and services (non-material goods) ?



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5. What is difference between intermediate goods and final goods ?



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6. Operating surplus arises in the



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7. State whether the following statements are true or false. Give reasons for your answer : .

(a) Bread is always a consumer good.

(b) Butter is only a final product.



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8. Differentiate between consumption of fixed capital and capital loss.



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9. "All producer goods are not capital goods".

Comment.



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10. Differentiate between current transfers and capital transfers.



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**Value Based Question**



1. Why are transfer payments not included in the estimation of National Income ? Do we arrive at the value that these are not important for the economy ?



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2. A company maintains a depreciation reserve fund for replacing its fixed assets after expiry of its life time. Can the company claim that the machines are protected against obsolescence ?



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3. Compensation given to victims of Uttarakhand tragedy is a good measure taken by government. Why is it not included in national income ?



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[Guidelines To Ncert Questions](#)

1. What is the difference between planned and unplanned inventory accumulation ?



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2. Write down the three identities of calculating the GDP of a country by the three methods. Also briefly explain why each of these should give us the same value of GDP.



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3. Suppose the GDP at market price of a country in a particular year was ₹ 1, 100 crores . Net factor Income from Abroad was ₹ 100 crores . The value of (Indirect taxes - Subsidies) was ₹ 150 crores and National Income was ₹ 850 crores. Calculate the aggregate value of depreciation.



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4. In a single day, Raju, the barber, collects Rs 500 from haircuts, over this day, his

equipment depreciates in value by Rs 50. Of the remaining Rs 450, Raju pays indirect tax worth Rs 30, takes home Rs 200 and retains Rs 220 for improvement and buying of new equipment. He further pays Rs 20 as income tax from his income. Based on this information, complete Raju's contribution to the following measures of income

(a)  $GDP_{MP}$  (b)  $NNP_{MP}$  (c)  $NNP_{FC}$

(d) Personal income (r) Personal disposable income



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## Very Short Answer Type

1. What is net indirect tax ?



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2. Give the meaning of market price.



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3.

When will GDP of an economy be equal to GNP ?



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4. Define domestic income ( $NDP_{FC}$ ).



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5. Define capital goods



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**6.**

Give the meaning of factor income.



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**7.** What is meant by factor cost ?



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**8.** What is the meaning of final goods ?



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**9.** What is transfer income ?



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**10.**

Calculate the national income, if domestic income is Rs. 30,000 and the NFIA is Rs 3000.



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**11. Define current transfers.**



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**12. What is meant by intermediate goods ?**



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**13.** What is the difference between  $GNP_{FC}$  and  $GDP_{MP}$  ?



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**14.** What is net factor income from abroad ?



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**15.** If  $NDP_{FC}$  is Rs 4,000 crore and  $NFIA$  is (-) Rs 5 crore, how much will be the national

income ?



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**16. Define depreciation.**



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**17. Give two examples of intermediate goods.**



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**18.** Define gross investment.



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## Short Answer Type

**1.** What is meant by national income ?

Distinguish between national income and domestic income.



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2. What is meant by depreciation ?



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3. What is difference between intermediate goods and final goods ?



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4. Differentiate between factor income and tranfer income.



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5. Discuss the meaning of consumption goods capital goods.



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6. What is meant by net factor income from abroad ? Briefly discuss its various compounds.



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7. What is meant by domestic territory of a country ?



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8. Machine ' purchased is always a final good ,  
Do you agree ? Give reasons for your answer.



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9. Explain with the help of an example the basis of classifying goods into final goods and intermediate goods.



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## Long Answer Type Question

1. Discuss the concept of factor income and transfer income with the help of examples.



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2. Briefly discuss the concept of normal residents.



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3. Define domestic territory.



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4. Distinguish between market price and factor cost.



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5. Define gross investment.



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6. Differentiate between consumer goods and capital goods.



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