Chapter 3: National Income and Related Aggregate

Question 1

Calculate Demostic Income or NDP at FC

Particulars	₹ in crores
GNP at MP	6,000
Subsidies	200
Depreciation	100
Net Factor income from abroad	400
Indirect Tax	300

Solution:

NDP at FC

= GNP at MP- Depreciation-Net Factor income from abroad- (Indirect tax-Subsidies)

= 6,000-100-400- (300-200)

= ₹ 5,400 crores

Question 2

Calculate GNP at MP

Particulars	₹ in crores
Domestic Income or NDP at FC	3,200
Depreciation	400
Indirect Taxes	70
Net Factor income to abroad	50

Solution:

GNP at MP

= NDP at FC + Depreciation – Net Factor income from abroad + Indirect tax

=3,200 + 400-50 + 70

= ₹3,620 crores

Question 3

Calculate National Income or NNP at FC

Particulars	₹ in crores
GDP at MP	5,500
Consumption of fixed capital	300
Goods and services tax	120
Factor income from abroad	150
Subsidies	70
Factor income to abroad	250

Solution:

National Income or NNP at FC

= GDP at MP -M Consumption of fixed capital + (Factor income from abroad – factor income to abroad) – (Goods and Services tax – Subsidies)

=5,500 – 300 + (150-250) – (120-70)

= ₹ 5,050 crores

Question 4

Define domestic income.

Ans: Domestic income is the net money value of all the final goods and services produced within the domestic territory of a country during a period of one year.

Question 5

When will GDP of an economy be equal to GNP?

Ans: GDP and GNP will be equal when the net factor income from abroad is zero

Question 6

In which type of economy, domestic income will be equal to national income?

Ans: Closed economy