Chapter 4: Measurement of National Income

Question 1

From the following data about a firm 'X' for the year 2000-01, calculate the net value added at a market price during the year.

Particular	₹ in crores
Sales	90
Closing stock	25
Opening stock	15
Indirect taxes	10
Depreciation	20
Intermediate consumption	40
Purchase of raw materials	15
Rent	5

Solution:

Net value added at market price

= Sales + (Closing stock- Opening stock) – Intermediate consumption – Depreciation

= 90+ (25-15) -40 – 20

= ₹ 40 crores

Question 2

From the following data about a firm 'X' calculate gross value added at factor cost by it

Particular	₹ in crores
Sales	500
Opening stock	30
Closing stock	20
Purchase of intermediate products	300
Purchase of machinery	150
Subsidy	40

Solution:

Gross value added at factor cost

= Sales + (Closing stock – Opening stock) – Purchase of intermediate products + subsidy

= 500+ (20-30) – 300 +40

= ₹230 thousand

Question 3

Calculate intermediate consumption from the following data

Particular	₹ in crores
Value of Output	200
Net value added at factor cost	80
Goods and services tax (GST)	15
Subsidy	5
Depreciation	20

Solution:

Intermediate consumption

= Value of output – Net value added at factor cost – Depreciation – (GST-Subsidy)

= 200 – 80 – 20 – (15 – 5)

= ₹90 lakhs

Question 4

Calculate the value of output from the following data

Particular	₹ in crores
Net value added at factor cost	100
Intermediate consumption	75
Goods and services tax (GST)	20
Subsidy	5
Depreciation	10

Solution:

Value of Output

= Net value added at factor cost + Intermediate consumption + Depreciation + (GST – Subsidy)

= 100 + 75 + 10 + (20 − 5)

= ₹200 lakhs

Question 5

Give three differences between National income at Current price Vs National income at Constant price

Ans:

Basis	National income at Current price	National income at Constant price
Causes of change	It is affected by a change in both price and quantity	It is affected by change n the quantity only
Camparison	Not suitable toll for comparing the national income of different years	It is generally used for comparing the national incomes of different years
Index of Economic Growth	Not a good tool for measuring the economic growth of a country	It is a better tool for measuring the economic growth of a country

Question 6

Name the three methods of national income

Ans: The three methods of national income are.

- Value Added Method
- Income Method
- Expenditure Method