# CLASS XII EXPENDITURE METHOD

# **EXPENDITURE METHOD**

### 1. Answer in one sentence each

- a. Define private final consumption expenditure.
- b. What does investment mean?
- c. Define depreciation.
- d. What does inventory investment mean?
- e. How is the 'changes in inventory' estimated?
- f. What makes the difference between Gross Domestic Capital Formation and Gross Domestic Fixed Capital formation?

### 2. Answer in around 60 words each

- a. What are the components of domestic expenditure?
- b. Define Gross Domestic Capital Formation. What are it's the components?
- c. Discuss the importance of gross domestic capital formation.
- d. How are the fluctuations in inventory stock important in macro economics?
- e. Why is export considered as a part of gross domestic expenditure?
- f. Why is import deducted from gross domestic expenditure?

### 3. Answer in around 75 words.

- a. What are the precautions to be taken while calculating national income using expenditure method?
- b. How are the following considered in estimating national income? Stat with reasons.
  - 1. Expenditure on purchase of machinery for installation in the factory.
  - 2. Expenditure on purchase of land.
  - 3. Expenditure on purchase of nondurable goods by a firm.
  - 4. Purchase of machineries by the dealer of the machineries and equipments for sale.
  - 5. Expenditure on purchase of shares of a newly formed company
  - 6. Government expenditure on provision of unemployment allowances.

### 4. Answer in around 100 words.

a. What are the steps involved in estimating national income using expenditure method? Explain

## **5. NUMERICAL QUESTIONS**

# 1. CALCULATE GDPmp AND NNPfc i. Government final consumption expenditure ii. Private final consumption expenditure iii. Gross domestic fixed investment iv. Closing stock v. Opening stock vi. Consumption of fixed capital vii. Indirect taxes (All figures in Rs. Crores) (50 4560 7540 1050 2730 270 300

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v. Gross domestic fixed investment 800 vi. Factor income paid to abroad 280 vii. Indirect taxes 120	<u> </u>		1920
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vii. Indirect taxes 120			
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	viii. Subsidies		40

ix. Net export	20
x. Factor income received from abroad	270
xi. Government purchase of goods and services	450
7. CALCULATE GDPmp and NDPfc	
i. Private final consumption expenditure	2100
ii. Gross domestic fixed investment	1250
iii. Changes in Inventory stock	70
iv. Export of goods and services	210
v. Import of goods and services	250
vi. Consumption of fixed capital	30
vii. Net factor in come from abroad	(-)15
viii. Indirect taxes	85
ix. Subsidies	25
x. Government expenditure on goods and services	160

# 8. CALCULATE NATIONAL INCOME AND NATIONAL DISPOSABLE INCOME

i.	Net exports	(-)120
ii.	Net domestic capital formation	980
iii.	Changes in stock	110
iv.	Private final consumption expenditure	1320
v.	Consumption of fixed capital	180
vi.	Net factor income from abroad	(-)100
vii.	Net current transfer from abroad	410
viii.	Net indirect taxes	350
ix.	Government final consumption expenditure	420
х.	Subsidies	150

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