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 **(All figures in Rs. Crores)**

i.	Government final consumption expenditure	4560
ii.	Private final consumption expenditure	7540
iii.	Gross domestic fixed investment	2730
iv.	Closing stock	1050
v.	Opening stock	850
vi.	Consumption of fixed capital	270
vii.	Indirect taxes	300

viii. Subsidies	100
ix. Net factor income from abroad	(-)20
xii. Net export	(-)40

2. CALCULATE NDPfc AND GNPmp

i. Private final consumption expenditure	1760
ii. Government purchase of goods and services	1180
iii. Gross domestic fixed investment	370
iv. Inventory investment	100
v. Indirect taxes	210
vi. Subsidies	60
vii. Factor income received from abroad	170
viii. Factor income paid to abroad	150
ix. Consumption of fixed capital	30
x. Net export	(-)120

3 CALCULATE NNPmp AND NDPfc

i. Government purchase of goods and services	120
ii. Households final consumption expenditure	600
iii. Inventory investment	10
iv. Indirect taxes	100
v. Final consumption expenditure of Private Non Profit Institution.	30
vi. Gross domestic fixed investment	110
vii. Net exports	(-)20
viii. Subsidies	30
ix. Net factor income from abroad	(-)5
x. Consumption of fixed capital	10

4. CALCULATE NDPmp AND NNPfc

i. Purchase of goods and services by the government	3150
ii. Final consumption of private non- profit making institutions	1750
iii. Household’s final consumption expenditure	7300
iv. Gross domestic fixed investment	2400
v. Changes in stock	850
vi. Net export	240
vii. Indirect taxes	430
viii. Subsidies	130
ix Net factor income from abroad	(-)120
x. Depreciation	150

5. CALCULATE GNPmp and NDPfc

i. Private final consumption expenditure	1760
ii. Purchase of goods and services by the government	560
iii. Net Domestic fixed capital formation	720
vi. Changes in inventory stock	120
vii. Net imports	100
viii. Consumption of fixed capital	110
ix. Indirect taxes	90
x. Subsidies	40
xi. Net factor income from abroad	(-)15

6. CALCULATE GNPfc

i. Closing stock of inventories	190
ii. Opening stock of inventories	170
iii. Households final consumption expenditure	1920
iv. Final consumption of nonprofit institutions	180
v. Gross domestic fixed investment	800
vi. Factor income paid to abroad	280
vii. Indirect taxes	120
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
x.	Subsidies	150

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