CLASS XII INCOME METHOD

I. Answer in one sentence only

- 1. How does income method consider domestic product?
- 2. Define mixed income of self employed.
- 3. How is Net factor income paid to abroad considered in national income calculation?
- 4. Show how is Net Domestic Product at factor cost converted into Gross National Product at market prices.
- 5. What are transfers?
- 6. Why is capital gain not included in national income?

II. Answer in around 60 words.

- 1. Distinguish between transfer payment and factor payment.
- 2. How is profit considered in national income account?
- 3. What are the components of domestic factor income?
- 4. Define compensation of employees. What are its components?
- 5. What are the precautions to be considered while calculating national income through income method? Explain

III. Answer in around 100 words.

- 1. What are the different steps involved in estimating national income through value added method.
- 2. How are the following treated in the estimation of national income? Explain with reason.
 - a. Imputed value of rent of owner occupied building.
 - b. Interest on National debt
 - c. Commission paid to a broker dealing in second hand goods
 - d. Unemployment allowances received by household from government.

IV. Numerical Questions

1. CALCULATE NDPfc AND NNPfc

2400
260
240
750
200
340
(-)15
60
120
320
340

2. CALCULATE GDPmp AND GNPmp

i. Compensation of employees	760
ii. Rent	140
iii. Interest	230
iv. Undistributed profits	100
iv. Corporate profit taxes	120
v. Dividends	180
vi. Subsidies	40
vii. Consumption of fixed capital	50
viii. Indirect taxes	80
ix. Net factor income from abroad	30
x. Mixed income of self employed	110
Note: Profits=Corporate profit tax+Undisteributed profit + Divid	
3. CALCULATE NDPmp AND GNPfc	
i. Compensation of employees	2100
ii. Mixed income of self employed	300
iii. Operating surplus	3700
iv. Gross capital formation	4200
v. Net capital formation	4100
vi. Net indirect taxes	350
vii. Subsidies	50
vii. Subsidies viii. Net factor income from abroad	60
ix. Employers contribution to social security schemes	40
(Operating surplus=Rent +Royalty + profits + interest)	40
4. CALCULATE GDPfc AND NNPmp	1650
i. Rent and Royaltyii. Interest	1260
iii. Compensation of employees	4230
iv. Employers' contribution to social security schemes	200
v. Mixed income of self employed	1230
vi. Factor income received from abroad	240
vii. Factor payment to abroad	210
viii. Consumption of fixed capital	160
ix. Net indirect taxes	130
x. Profits	430
5. CALCULATE NDPfc AND GNPmp	540
i. Wages and salaries in cash	560
ii. Compensation given to employees in kind	130
iii. Employer's contribution to social security schemes	120
iv. Rent interest and profitsv. Factor income to abroad	820
	65
vi. Factor income from abroad	85 90
vii. Consumption of fixed capital viii. Net indirect taxed	80
ix. Mixed income of self employees	230
x. Employee's contribution to social security schemes	50
n. Employee's continuum to social security selicines	
6. CALCULATE NNPfc AND GNPfc	
i. Compensation of employees	1760
ii. Employers contribution to social security schemes	140
iii. Gross domestic capital formation	320
iv. Rent, Interest and profits	2110
v. Mixed income of self employed	170
	110

viii. N	et domestic capital formation et factor income from abroad et indirect taxes	300 (-)20 30
i. Prof ii. Ren iii. Into iv. Wa v. En vii. M viii. N ix. D	t	200 80 50 350 35 250 (-)15 50 20
i. Cor ii. Prot iii. Ret iv. Into v. Div vi . En vii. Mi viii. I ix Fa x. Fact xi. Em	erest idends inployer's contribution to social security schemes ixed income of self employed indirect taxes actor income from abroad tor income paid to abroad aployees contribution to social security schemes	400 200 150 100 120 40 500 100 50 100 70
i. ii. iii. iv. v. vi. vii. viii.	Ate national Income Operating surplus Net Current transfer from abroad Net factor income from abroad Compensation of employees Mixed income of self employed Depreciation Net indirect taxes Current transfer from government	2100 650 (-)120 4300 1200 280 640 180
