

REVISION OF KEY POINTS

- **Gross Domestic Product at Market Price (GDP_{MP})** refers to gross market value of all final goods and services produced within the domestic territory of a country during a period of one year.
- **Gross Domestic Product at Factor Cost (GDP_{FC})** refers to gross money value of all the final goods and services produced within the domestic territory of a country during a period of one year.
- **Net Domestic Product at Market Price (NDP_{MP})** refers to net market value of all the final goods and services produced within the domestic territory of a country during a period of one year.
- **Net Domestic Product at Factor Cost (NDP_{FC}) or Domestic Income** refers to net money value of all the final goods and services produced within the domestic territory of a country during a period of one year.
- **Gross National Product at Market Price (GNP_{MP})** refers to gross market value of all the final goods and services produced by the normal residents of a country during a period of one year.
- **Gross National Product at Factor Cost (GNP_{FC})** refers to gross money value of all the final goods and services produced by the normal residents of a country during a period of one year.
- **Net National Product at Market Price (NNP_{MP})** refers to net market value of all the final goods and services produced by the normal residents of a country during a period of one year.
- **Net National Product at Factor Cost (NNP_{FC}) or National Income** refers to net money value of all the final goods and services produced by the normal residents of a country during a period of one year.

Multiple Choice Questions (MCQs)

1. Out of the following, which aggregate represents 'National Income'?

(a) NNP_{MP}

(b) GNP_{FC}

(c) NNP_{FC}

(d) GNP_{MP}

2. If factor income received from abroad is equal to factor income paid abroad, then which of the following is not a valid statement?

(a) National Income = Domestic Income

(b) $NDP_{FC} + \text{Depreciation} = GNP_{FC}$

(c) $NDP_{FC} + \text{Depreciation} = GNP_{MP}$

(d) All are valid

3. Fill in the blank: NNP_{FC} _____ = GDP_{MP}

- (a) + Depreciation – Net factor income from abroad – Net Indirect taxes
- (b) + Depreciation + Net factor income from abroad + Net Indirect taxes
- (c) + Depreciation – Net factor income from abroad + Net Indirect taxes
- (d) + Depreciation + Net factor income from abroad – Net Indirect taxes

4. If economic subsidies are added to and indirect taxes are subtracted from the national income at market prices, then it will be equal to:

- (a) Domestic Income
- (b) National Income
- (c) Gross national product at market prices
- (d) Gross domestic product at factor cost

5. Which of the following is not a component of operating surplus?

- (a) Interest
- (b) Rent
- (c) Royalty
- (d) Compensation of Employees

6. In which type of economy, domestic income is equal to national income?

- (a) Open Economy
- (b) Closed Economy
- (c) Both (a) and (b)
- (d) Neither (a) nor (b)

7. Domestic factor income is another name for:

- (a) NDP_{FC}
- (b) NNP_{MP}
- (c) GDP_{FC}
- (d) NNP_{FC}

8. Net domestic product at factor cost is less than national income when:

- (a) Net factor income from abroad is positive
- (b) Net factor income from abroad is negative
- (c) Net factor income from abroad is zero
- (d) Net exports are positive

9. National Income is equal to:

- (a) Domestic product plus factor incomes earned from abroad
- (b) Domestic product plus net factor incomes earned from abroad
- (c) Domestic product minus factor incomes to abroad
- (d) Domestic product plus export minus imports

10. If net national product is given at Market Prices, we _____ indirect taxes and _____ subsidies to get National Income of the economy.

- (a) Add, Subtract
- (b) Add, Divide
- (c) Subtract, Add
- (d) Subtract, Divide

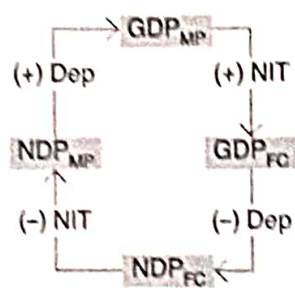
11. From the following information, compute GNP_{MP} . $GDP_{FC} = ₹ 3,000$; Net factor income to abroad = ₹ 200. Indirect Taxes = ₹ 420, Subsidies = ₹ 240.

- (a) 3,380
- (b) 2,980
- (c) 3,020
- (d) 2,620

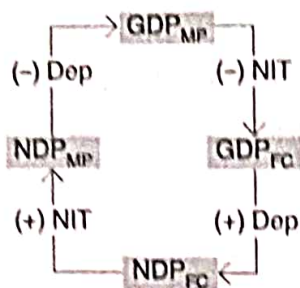
12. GNP exceeds NNP by:

- (a) Amount of total taxes
- (b) Government expenditure
- (c) Transfer payments
- (d) Difference between gross and net investment

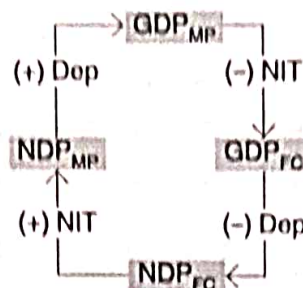
13. Which of the following flowchart correctly represents the relationship between Domestic concepts?



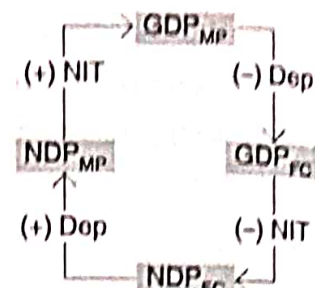
(a)



(b)



(c)



(d)

Ans. 1. (c); 2. (c); 3. (c); 4. (b); 5. (d); 6. (b); 7. (a); 8. (a); 9. (b); 10. (c); 11. (b); 12. (d); 13. (c)

Very Short Answer Type Questions (1 Mark each)

Q. 1. Define domestic income.

OR

Define domestic product.

{CBSE, All India Comptt. 2014}

Ans. Domestic income (NDP_{FC}) 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.

Q. 2. When is the net domestic product at market price less than the net domestic product at factor cost?

Ans. When net indirect taxes are negative i.e., subsidies are more than indirect taxes.

Q. 3. Why is gross domestic product at factor cost more than the net domestic product at factor cost?

Ans. Gross domestic product at factor cost includes depreciation while net domestic product at factor cost does not include depreciation.

Q. 4. 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.

Q. 5. When will the domestic income exceed the national income?

Ans. When the net factor income from abroad is negative.

Q. 6. If NDP_{FC} is ₹ 1,000 crores and NFIA is (-) ₹ 5 crores, how much will be the national income?

Ans. National Income = $1000 + (-5) = ₹ 995$ crores

Q. 7. If the domestic factor income is ₹ 200 crores and the national income is ₹ 190 crores, how much will be the net factor income from abroad?

Ans. Net factor income from abroad = $190 - 200 = (-) ₹ 10$ crores

Q. 8. In which type of economy, domestic income will be equal to national income?

Ans. Closed Economy.

Q. 9. Define national income.

{CBSE, All India Comptt. 2013, Delhi Comptt. 2014 (II)}

OR

Define national product.

{CBSE, Delhi Comptt. 2014 (II)}

Ans. National Income refers to net money value of all the final goods and services produced by the normal residents of a country during a period of one year.

Short Answer Type Questions (3-4 Marks each)

1. Define the following terms: (i) GDP_{MP} ; (ii) NDP_{FC} ; (iii) NNP_{MP}

2. When can domestic product be more than national product?

{CBSE, All India 2009}

3. Distinguish between Gross Domestic Product at Market Price and National Income.
4. Distinguish between domestic product and national product. [CBSE, Foreign 2017 (II)]
5. Is it necessary that Domestic Income is always less than National Income.

Long Answer Type Questions (6 Marks each)

1. Distinguish between the following, giving suitable examples in support of your answer: (a) Domestic product and national product. [CBSE, Delhi 2005]
2. Discuss the concepts of: (i) NDP at MP; (ii) GNP at FC and (iii) GDP at MP.

Unsolved Practicals

Practicals on Basic Aggregates of National Income

1. Calculate GNP at FC.

Particulars	₹ in crores
(i) NDP at MP	80,000
(ii) Net Factor income from abroad	-200
(iii) Depreciation	4,950
(iv) Subsidies	1,770
(v) Indirect Tax	10,600

GNP at FC = ₹ 75,920 Crores

2. Calculate the Domestic Income.

Particulars	₹ in crores
(i) Gross national product at market price	58,350
(ii) Indirect Tax	2,590
(iii) Subsidies	1,540
(iv) Depreciation	1,625
(v) Net Factor income from abroad	-240

Domestic Income = ₹ 55,915 Crores

3. Calculate National Income or NNP at FC.

Particulars	₹ in crores
(i) GDP at MP	4,800
(ii) Indirect Taxes	300
(iii) Net Factor income from abroad	80
(iv) Consumption of Fixed Capital	200
(v) Subsidies	60

National Income = ₹ 4,440 Crores

4. Calculate GDP at MP.

Particulars	₹ in crores
(i) National Income	6,700
(ii) Consumption of Fixed Capital	180
(iii) Factor income from abroad	100

(iv) Indirect Taxes	130
(v) Subsidies	70
(vi) Factor income to abroad	150

GDP at MP = ₹ 6,990 Crores

5. Calculate Domestic Income.

Particulars	₹ in crores
(i) GNP at FC	2,700
(ii) Indirect Taxes	60
(iii) Factor income from abroad	150
(iv) Factor income to abroad	180
(v) Replacement of Fixed Capital	150

Domestic Income = ₹ 2,580 Crores

6. Calculate (a) Domestic Income; (b) National Income.

Particulars	₹ in crores
(i) GDP at MP	70,150
(ii) Indirect Taxes	5,200
(iii) Factor income from abroad	800
(iv) Consumption of Fixed Capital	3,100
(v) Factor income to abroad	300
(vi) Subsidies	4,000

(a) ₹ 65,850 Crores; (b) ₹ 66,350 Crores

7. Calculate Indirect Taxes from the following data:

Particulars	₹ in crores
(i) NDP at FC	55,915
(ii) Subsidies	1,540
(iii) Factor income from abroad	625
(iv) Consumption of Fixed Capital	1,625
(v) Factor income to abroad	865
(vi) GNP at MP	58,350

Indirect Taxes = ₹ 2,590 Crores

8. Calculate Factor Income to abroad:

Particulars	₹ in crores
(i) GNP at FC	4,280
(ii) Subsidies	80
(iii) Factor income from abroad	400
(iv) Depreciation	480
(v) Indirect Taxes	100
(vi) NDP at MP	3,700

9. Calculate Depreciation:

Particulars	₹ in crores
(i) NDP at MP	80,000
(ii) Indirect Taxes	10,600
(iii) GNP at FC	75,920
(iv) Factor Income to abroad	700
(v) Factor income from abroad	500
(vi) Subsidies	1,770

Depreciation = ₹ 4,950 Crores

10. Calculate Subsidies:

Particulars	₹ in crores
(i) GDP at FC	55,000
(ii) Indirect Taxes	4,400
(iii) Factor Income to abroad	600
(iv) NNP at MP	55,500
(v) Factor income from abroad	1,300
(vi) Depreciation	2,500

Subsidies = ₹ 2,100 Crores

11. Gross National Product at market prices of an economy is ₹ 65,000 crores. The capital stock of the economy is valued at ₹ 1,20,000 crores, which depreciates at the rate of 10% per annum. Indirect taxes amount to ₹ 6,000 crores and subsidies amount to ₹ 1,000 crores. Estimate National Income of the economy.

National Income = ₹ 48,000 Crores