

Subject - Economics

CLASS - XII A & C

(Arts and Commerce)

Subject Teacher - Ms Greta Sablania

Date - 16 April 2020

Topic - National Income (2 sector Model)

* content to be discussed.

* In today's class students will be able to understand the concept of 2-sector model (Household and Firm)

* Mode of Teaching - Online class using Microsoft teams.

* Blackboard work will be done.

* Notes will be sent through pdf after the class.

16/4/2020

classmate

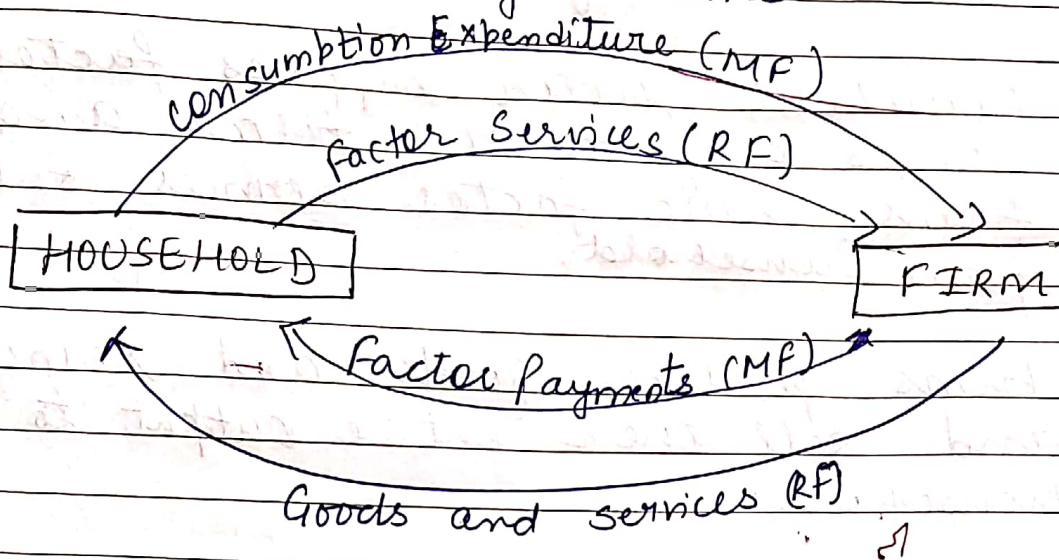
Date

Page

National Income

2. Sector Model

Circular flow of Income



Definition: Flow of money from producers to household (for purchase of factor services) is a continuous process. Likewise, flow of money from household to producers (for purchase of goods and services) is a continuous process. It is called circular flow.

Significance

- ① intersectoral dependence
- ② Estimation of national income.

Assumptions

- 1) There are 2 sectors in the economy i.e. household and firm. It means there is no govt. and foreign sector.
- 2) Household sector supplies factor services only to the firms and firms hire factor services only from household.
- 3) Firms produce goods and services and sell their entire output to household.
- 4) Household receive factor income for their services and spend their entire amount on consumption of goods and services.
- 5) There is no savings in the economy i.e. neither household save from their income nor firms save from their profit.

Conclusion

Total Production = Total consumption

Factor Payment = Factor Income

Consumption expenditure = Factor income

Real flow = Money Flow

