

Subject - Economic Teacher. Ms. Geeta Sablaniã

CLASS - XII A and C Topic - National Income

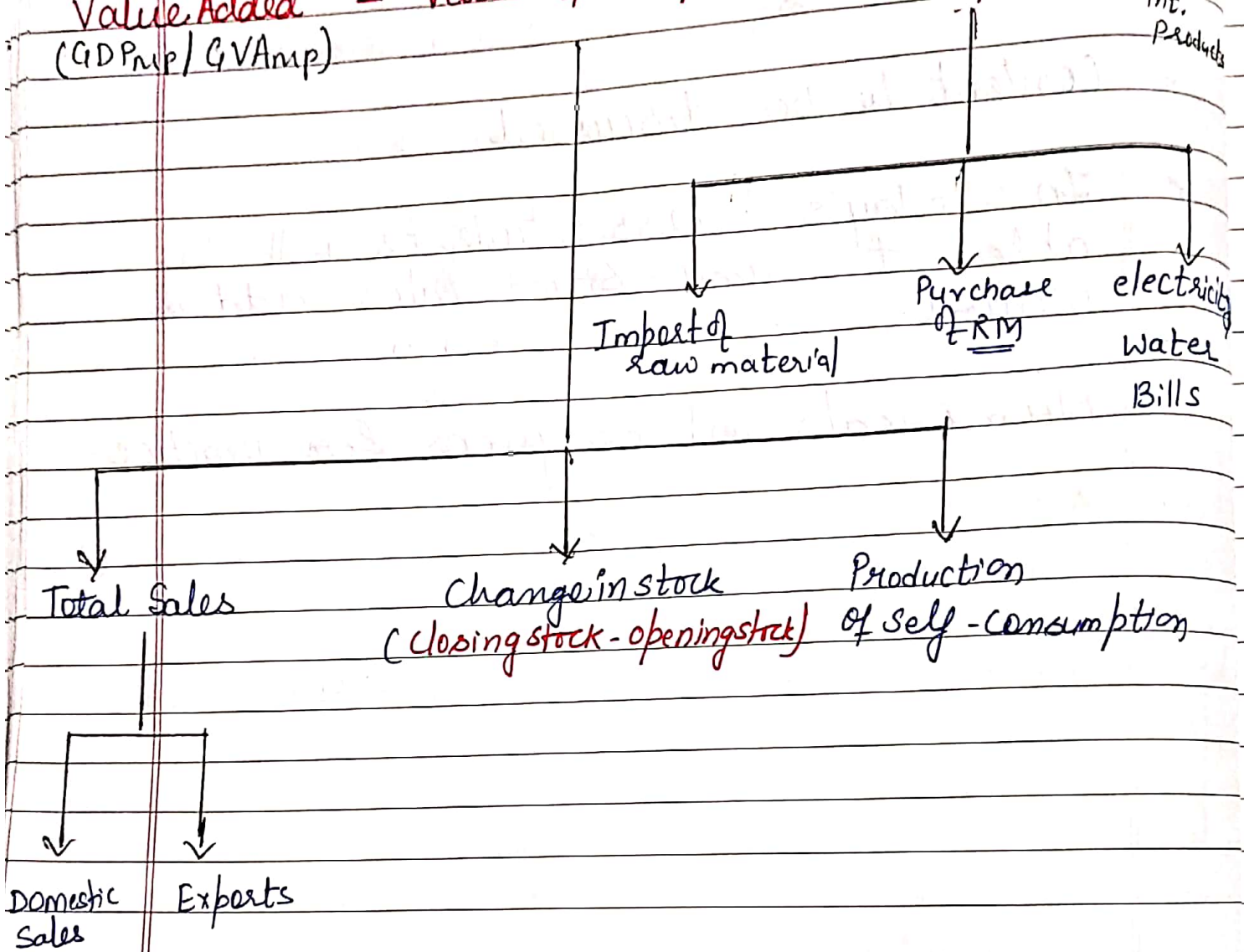
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- * Content to be discussed
- * In today's class students will be able to understand value added method.
- * Numericals will be given for practice.

Measurement of National Income

I. Value Added Method

$$\text{Value Added (GDP}_{\text{mp}} / \text{GVA}_{\text{mp}}) = \text{Value of output} - \text{Intermediate Consumption} \rightarrow \text{Pur. of int. products}$$



* Note

$$\text{Sales} = \text{Price} \times \text{output sold}$$

* Note

$$\text{GDP}_{\text{mp}} = (\text{Price} \times \text{output}) + \Delta \text{in stock} - \text{IC}$$

IC = Intermediate consumption.

* Note

Purchase of Machinery is never considered as intermediate consumption because it is considered as investment.

Q-1 Illustrates how 'value added' is estimated:

Estimating Value Added (or Value Addition)

Producing Enterprise	Value of Output (₹)	Cost of Intermediate Goods [Intermediate consumption] ₹	Value Added ₹
1) Farmer	600	200	400
2) Flour Mill	800	600	200
3) Baker	1,000	800	200
4) Shopkeeper	1,200	1000	200
Total	3600	2600	1,000

The Value added by the shopkeeper = ₹1200 - 1000
= ₹200

Thus the gross value added by all
the producing enterprise = ₹
= ₹400 + ₹200 + ₹200 + ₹200 = ₹1000

$$\text{GDP}_{mp} = ₹1000$$

Having estimated GDP_{mp}, we find
out NMP_{fc} (national income)

GDP_{mp}

- Depreciation

NDP_{mp}

+ NFA

NNP_{mp}

- NIT (IT-Subsidies)

NNP_{fc} (National Income)
