Assignment 15

SCHOOL Raisina Bengali School Mandir Marg
CLASS XII SUBJECT- ECONOMICS

Miscellaneous

Q.1 NNP_{FC} by income and Expenditure

Private final consumption Exp	350
Govt final consumption Exp	100
Mixed Income	35
Gross domestic fixed capital formation	70
opening stock	15
compensation of Employees	250
Closing stock	25
import	20
Rent	75
depreciation	10
NIT	25
Interest	25
NFIA	-5
Export	10
Profit	100

Q.2 NNP_{FC} = ? by income and Expenditure

Compensation of Employees	250
Mixed Income	50
import	20
Gross Domestic fixed capital formation	120
Private final consumption Exp	550
Dep	10
NFIA	20
IT	100
Δ in stock	20
Subsidies	20

To be contd...

Q-2 Rent 100
Int 200
Export 10
Profit 50
Govt final consumption Exp.

Q-3 NNP$_{FC}$ by Expenditure and Income?

Private final consumption Exp =	2000
Net domestic capital formation =	400
Dep =	100
Δ stock	50
Compensation of Employees	1900
Rent	200
Interest	150
Operation surplus =	720
NIT	400
employee's contribution	100
Net Export	20
NFIA	−20
Govt final consumption Exp	600

Q-4 NNP$_{FC}$ = ? by income and Exp

Govt final consumption Exp = 100
Subsidies = 10
Rent 200
wages and Salaries 600
Indirect tax 60
Private final consumption Exp 800
Gross Domestic consumption Exp 120

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Employer's contribution		= 55
Royalty	25	
FITA	30	
Int	20	
Dep	10	

Q5. GNP_{MP} = ? by income and Expenditure method

Govt final consumption Exp	250
A stock	65
NDCF	150
Interest	90
Profit	210
~~Subsidity~~ Subsidy	25
Import	80
Private final consumption Expⁿ	500
Value of rent for free accomodation to emp	40
Corporation Tax	50
Rent	100
FIFA	20
FITA	40
IT	55
Export	60
Dep	20
COE	450

Q6 a) NDP_{FC} = ?   b) COE = ?

1) NFIA = - 20
2) Net Export = 10
3) NIT = 50
4) Rent and Royalty 20
5) Dep 10
6) Private final consumption Exp 400
7) Corporate tax = 10
8) Interest 30
9 Net domestic capital formation 50
10) Dividend 22
11) Govt final consumption Exp 100
12) Undistributed profit = 5
13) Mixed Income = 23

Q 7 a) GDP_{mp} by Income Method
b) closing stock.

Private final consumption Expenditure	450
Rent	120
Govt final consumption Exp	50
Indirect Tax	60
Interest	150
Mixed Income	20
Profit	250
Dep	30
opening stock	10
Gross domestic fixed Capital formation	300
Compensation of Employees	200

Net Exports	-10
NFIA	-10
Subsidy	10

Q7. Calculate National Income (NNP_{FC}) by income and output method.

Value of output of primary sector	1000
Value of output of other sectors	400
Raw material of primary sector	500
Raw Material of other sectors	300
Factor income received from the rest of the world	10
Factor income paid to the rest of the world	15
Dep	55
Indirect taxes	100
Subsidies	20
Mixed Income of the self employed	200
Compensation of employees	170
Rent	40
Interest	30
Profit	25

Q8 Calculate National Income by expenditure and output method.

Gross domestic capital formation	250
Net Exports	−50
Private final consumption exp	1000
Value of output of primary sector	900
Value of output of secondary sector	800
Value of output of tertiary sector	400
Intermediate cons. of primary sector	400
Intermediate cons. of secondary sector	300
Intermediate cons of tertiary sector	100
Consumption of fixed capital	80
Indirect taxes	100
Govt final cons exp	100
Subsidies	10
Net factor Income from abroad	−20

Q9 NNP_{FC} by expenditure & output

GDCF (Gross Domestic Capital formation)	250
Net exports	−50
Private final consumption Expenditure	1000
Value of output of Primary sector	900
Value of output of Secondary sector	800
Value of output of tertiary sector	400
Intermediate consumption of Primary	300
Intermediate consumption of Secondary	100
Intermediate consumption of tertiary	80

Dep 80 Govt final consumption exp 100

Indirect tax 100 Subsidy 10 NFIA −20

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Q10 $NNP_{FC} = ?$ Dep = ?

NIT	5
Net domestic fixed capital formation	100
Net import	−20
Govt final consumption Exp	200
Gross Domestic fixed Capital formation	125
Private final consumption Exp	600
Δ Stock	10
NFIA	5

Q11 Operating Surplus = ?

Compensation of Employees	110
NIT	150
Depreciation	50
NFIA	155
GDPmp	1050
Mixed Income	500

Q12 $NNP_{FC} = ?$

Rent	60
Interest	40
Profit net of corporation Profit tax	20
corporate profit tax	5
NFIA	−5
Compensation of Employees	600
Indirect tax	80
Subsidies = 10	10
Dividend = 7	7

Q 13 a) GDPmp = ?   b) Subsidy = ?

Govt final consumption Exp = 7000
Indirect Tax = 9000
NNPFC = 61,700
Mixed Income = 28,000
Gross Domestic fixed capital formation 13,000
Net add to stock 10000
compensation of Employees 24000
Dep 4000
Private final consumption Expenditure 44000
Export 4800
Import 5600
NFIA 300

Q 14 NNPFC = ?   (2) Dep = ?

Private final Consumption Exp 210
GDPmp 320
wages and salaries 170
Employer's Contribution 10
Interest 20
Indirect Tax 30
Subsidy 5
Rent 10
Profit 45
Royalty 15
NFIA 3

Q15 a) Closing stock = ? b) NNP_{FC} = ?

c) Govt final consumption Exp = ?

Private final consumption Exp	900
Net Domestic fixed capital formation	2100
FITA	40
NNPmp	5230
NIT	150
opening stock	100
Gross Domestic capital formation	2800
Dep	550
Net Export	700

Q16 NNP_{FC} by income and Exp

Govt final consumption Exp	500
Δ in stock	350
Dep	50
Export	200
Private final consumption Exp	900
Gross fixed capital formation	800
Subsidies	50
Mixed Income	850
Import	350
Net property & enterpreneuship Income from Rest of the world	-60
Indirect tax	200
Net compensation of Employees from Rest of the world	-10
Operating surplus	550
compensation of Employees	800
Cor. Tax	20

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Q17 Operating Surplus = ? NDPFC = ?

Compensation of Employees	2000
Rent and Interest	800
Indirect Tax	120
Corporation Tax	460
Depreciation	100
Subsidies	20
Dividend	940
Undistribution Profit	300
FITA	150
Mixed Income	200

Q18 GDPFC = ? (Income and Exp)
Private final Consumption Exp 730
wages and salaries 700
Employer's contribution to Social Security Scheme = 100
Gross business fixed investment 60
profit 100
Gross residential construction Investment 60
Govt final Consumption Exp 200
Gross public investment 40
Export 40
Rent = 50
Inventory investment = 20
Interest = 50
Import = 20
NFIA = -10
MI = 100
Dep = 20
Subsidy 10 Indirect Tax 20.

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Q19 NNP_{FC} = ? (Income and Exp)

Rent 1500

NFIA 50

wages and Salaries 25,000

Indirect Tax 1,000

Govt final consumption Exp 11,200

Subsidies 300

Royalty 200

Net Exports -200

Interest 6400

Corporate Tax 200

Profit after tax 4000

Household final consumption Exp 26,000

Δ stock 100

Net Domestic fixed capital consumption Exp 600

non-Pvt institution serving household 300

Q20 GNP_{mp} by Income and Exp

Private final Cons^n Exp 2940

social security contribution by Employees 108

Net Indirect Tax 216

Govt expenditure on goods and services 864

Rent 168 Interest 156

Undistributed Profit 252

Dividend 192

wages and Salaries in Cash 2544

Tax on corporate profit 228

Net domestic investment 396

Dep 324

Net Export 36 NFIA 15

Income of self Employed 372

Q21 a) GDP_{FC} = ? b) FITA = —

Compensation of Employees	800
Profit	200
Dividend	50
GNP_{MP}	1400
Rent	150
Interest	100
Gross domestic Capital formation	300
Net Fixed Capital Formation	200
Δ stock	50
Factor Income received from Abroad	60
Net Indirect Tax	120

Q.22 GNP_{MP} & FIFA = ?

Profit	500
Exp	40
COE =	1500
GNP_{FC}	2800
Rent	300
Interest	400
Factor Income paid to Abroad	120
Net Indirect tax	250
Net Domestic capital formation	650
Gross Domestic fixed Capital formation	700
Δ stock	50

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Q23 Imports = ? NDPmp = ?

Sales	3450
Export	800
Gross fixed capital formation	150
Intermediate consumption	1650
Provision for replacement of fixed Capital ~~= 100~~	100
Δ stock	250
NIT	220
Household consumption Expenditure	500
Expenditure incurred by NPO serving Household.	50
Purchase of goods by govt	250
Compensation of Employees paid by govt	200
Production of self consumption.	50

Q24 NNP$_{FC}$, Mixed Income, GVA$_{FC}$ = ?

Final consumption expenditure of Household	5000
Intermediate consumption	2200
Import	80
Interest	600
Wages and Salaries	700
Subsidy	200
Gross Domestic capital formation	350
Final consumption Expenditure by non-Profit interest	1700
Net Increase in stock	10
Direct tax	200
Royalty	100
Gross export	30
factor income received from Abroad	50
Govt. purchase of goods and services	300
Net ↑ in stock	10
Direct tax	200
Royalty	100
Gross export	30
Factor income received from Abroad	50
Govt purchase of goods and services	300
Net Domestic fixed capital formation	140
Rent	900
Net earned income from abroad	-20
Indirect tax	100
Profit	400
Net unearned income from abroad	17

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25) GDP_{mp} = ? b) FIFA = ? c) Gross Domestic Cap. Formation

Profit before tax	500
Export	40
Compensation of Employees	1500
GNP_{FC}	2800
Net current transfer to Rest of the world	-90
Rent	300
Interest	400
Factor income paid to Abroad	150
Capital construction allowance	100
Direct tax	1000
Δ Stock	50
Corporate tax	35
Gross Business Fixed Inventory	600
Gross Residential Construction Inventory	25
Gross Public ~~Invoice~~ Inventory	75

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Precautions of Income Method

1) Transfer Income (like scholarships, donations, charity, old age pensions, etc) are not included in the National income because they are not dealing with productive activity.

2) Income from sale of second hand goods will not be included in national income as their original sale has already been counted and it could lead to double counting if they are added again.
However any brokerage or commission received by brokers on sale of second hand goods will be included in national income as they are rendering the productive services

3) Income from sale of shares, bonds and debentures will not be included as such transactions do not contribute to current flow of goods and services

4) Windfall gains like, lottery, horse race are included as there is no productive activity concerned with it.

5) Imputed value of services provided by owners of production unit will be included eg. imputed value of owners occupied houses, interest on own capital production for self consumption etc will be included as they add to flow of goods and services.

6) Payment out of past saving (death duties, gift tags, int tax etc) are not included in National income as they are paid out of wealth or past savings.

Difference b/w Net exports & NFIA

Basis	Net Exports	NFIA
Meaning	Net export = Export - Import	NFIA = FIFA-FITA
Concept	Domestic concept.	National concept
Factor/Non factor services	It includes non factor services.	It includes factor services

Precautions of Expenditure Method

1) Intermediate goods will not be included in National income as it is already counted in the final value. If included again it will lead to double counting

2) Transfer payments are not included as such payments are not connected with any productive activity and there is no addition to the value

3) Purchase of second hand goods will not be included as their value has already been included in the year in which they were produced.

4) Purchase of financial assets will not be included as it does not lead to current flow of goods and services.
Any commissions on such financial assets is a productive service.

5) Expenditure on own account production (like self consumption, imputed value of owner's occupied houses, free services from general govt and private non profit institution serving household) will be included in National income since these are productive services

Q Govt incurred expenditure to popularise yoga among the masses. Analyse its impact on GDP & Welfare.

A Govt expenses on yoga
⇓
GDP Ises ⇒ Govt final consumption Expenditure

Ise welfare ⇒ Yoga Ise ⇒ healthy Ise ⇒ Human capital formation Ise
↓
Efficiency Ise

Q2 Sale of petrol & diesel cars is rising particularly in big cities. Analyse its impact on GDP and welfare.

Ans Sale of cars Ise ⇒ GDP Ise through final products
↓
convenience for transportation Ise

Welfare ↓ → traffic jams increases ↑
→ Pollution increases ↑ → Health Ise Hazards

Q3 Suppose a ban is imposed on construction of tobacco. Examine its impacts on GDP & welfare

Ans GDP ↑ses through Govt final consumption expenditure. welfare increases ↑ because it is protection from hazardous disease health increases
+ externality.

Q How does increase in inequalities in distribution of income affect welfare of the society.

A ↑se in inequalities → gap between rich and poor ↑se

↓

utility of money is higher among poor than rich

↓

May not lead to ↑se in welfare ← ↑se inequalities

Difference between National Income at Current price (Nominal NY) and National Income at constant price (Real NY)

Basis	National Income at Current Price / Nominal NY	NY at constant Price / Real NY
Meaning	Money value of final goods and services produced by normal residents of a country, measured at current year prices	Money value of final goods and services produced by normal residents of a country in a year measured at prices of base year.
Index of economic growth	It is not a good tool for measuring the economic growth of a country.	It is better tool for measuring the economic growth of a country.
Causes of Change	It is affected by change in both price and quantity.	It is affected by change in quantity only.
Comparison	It is not a suitable tool for comparing NY of different years.	It is generally used for comparing NY of different years
Calculation	$P_1 \times Q_1$	$P_0 \times Q_1$

* Current Price Index $= \frac{\text{NY at current Price}}{\text{NY at constant Price}} \times 100$

* Price Index / GDP deflator $= \frac{\text{Nominal GDP}}{\text{Real GDP}} \times 100$

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Q-1 Nominal GDP = 1200
Price Index = 120
Real GDP = ?

A Price Index = $\frac{\text{GDP at current Price (Nominal)}}{\text{GDP at constant Price (Real)}}$

$$120 = \frac{1200}{\text{Real GDP}} \times 100$$

$$\text{Real GDP} = \frac{120\cancel{0}}{12\cancel{0}} \times 100 = \frac{\cancel{12000}}{\cancel{12}} = 1000$$

Q-2 Real GDP = 300 GDP at constant price
Nominal GDP = 330 GDP at current price
Price Index ??

$$\text{Price Index} = \frac{\text{Nominal GDP}}{\text{Real GDP}} \times 100$$

$$= \frac{330}{3\cancel{00}} \times 1\cancel{00}$$

$$= 110$$

Q-3 Real GDP = 500
Price Index = 125
Nominal GDP = ?

$$\text{Price Index} = \frac{\text{Nominal GDP}}{\text{Real GDP}} \times 100$$

$$125 = \frac{\text{Nominal GDP}}{5\cancel{00}} \times 1\cancel{00}$$

$$\frac{125 \times 500}{100} = \text{Nominal GDP}$$

$$625 = \text{Nominal GDP}$$

CBSE SP-2018
Q.4

year	2014-15	2015-16	2016-17
Nominal GDP	6.5	8.4	9
GDP Deflator	100	140	125

(1) For which year is real GDP and Nominal GDP same and why?

(2) Calculate Real GDP for given years. Is there any year for which Real GDP falls.

Q.5 Only one product X is produced in a country. Its output during the year 2012-13 was 100, and 110 units respectively. The market price of the product during the year was 50 and 55. Calculate % change in real and nominal GDP. in year 2013 using 2012 as base year.