18 | April | 2020 CLASS-

Domestic territory (Economic territory)

Domestic territory means political frontier of a country

Domestic territory includes

1) Ships & aircrafts owned & operated by normal residents b/w two or more countries.
2) Fishing vessels, oil and natural gas rigs and floating platforms operated by residents of a country in international waters where they have exclusive right of operation.
3) Embassies, consulates and military establishment of a country.
e.g, Indian Embassy in Russia is part of domestic territory in India.

Domestic territory does not include:

1) Embassies, consulates and military establishment of foreign country.
e.g, Japanese Embassy in India is a part of domestic territory of Japan

2) International organisations like UN, WHO etc located within the geographical boundaries.

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Normal Residents

It refers to an individual or an institution originally recites in the country and whose centre of economic interest also lies in that country.

Following are not included under the category of normal residents

1) Foreign tourists and visitors who visit a country for holidays, common medical treatment, study, sports, conference etc.

2) Foreign staff of embassies, officials, diplomats & member of armed forces of a foreign country, located in given country.

3) International organisations like UN, WHO are not considered normal residents of the country in which they operate.

4) Employees of international organisations are considered as residents of the country to which they belong and not of international area.

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5) Crew members of foreign vessels, commercial travellers & seasonal workers, provided their stay is less than 1 year.

6) Border workers who live near international border & cross the border on regular basis to work in other country. They are treated as normal resident of the country where they live and not where they work.

Citizenship

When a person is born in India, he automatically acquires citizenship of India.

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D/F b/w Factor Income & Transfer Income

Basis	Factor Income	Transfer Income
Meaning	Income received by factors of production for rendering factor services in production process.	Income received without rendering any productive service in return
Nature	Included in both national & domestic Income.	Neither included in National or in domestic.
Concept	It is a earning concept.	It is a receipt concept.
Recipient	Received by factors of production. (Land, Labour, Capital & enterepreneur)	Received by household & Govt.
Example	Rent, wages, interest profit.	Scholarship, old age, pension, unemployment allowance (not in India), pocket money.

Note→ Transfer income is a one sided concept.

Note- Taxes received by the govt. are transfer income as they are received without providing any productive service in return.

Note→ Similarly, Subsidies paid by the govt are transfer payment ~~of~~ the govt.

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D/F b/w final goods and Intermediate goods.

Basis	Final Goods	Intermediate goods
Meaning	Those goods which are used either for consumption or investment.	Those goods which are either used for resale or for further production in same year.
Nature	Include in — National (✓), Domestic (✓)	Not include in — National (x), Domestic (x)
Value addition	No value has to be added.	value need to be added.
Production Boundary	Have crossed boundary line of Production	Still with the production boundary
Ex	Milk Purchased by household for consumption car purchased as an investment.	Milk used in diary shop for resale Coal used in factory for further production.

Note for intermediate goods final good

Note - Intermediate goods are not included in national income as they are already included in final Goods. If their value is added again, It will lead to double counting.

Note: Intermediate goods are used up in same year. If they remain for more than 1 year, they are treated as final goods.

Note: "Distinction is made on the basis of end use." If the end use of a good is consumption or investment, then it is a final good. However, if the goods is used for resale (in the same year) then it is an intermediate good.

Note: Intermediate goods have derived demand.

Durable goods (truck, aircraft, vehicles etc) purchase by govt. for military purpose are included under the category of intermediate goods as they are used to produce

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defence services and not for market sales.

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Subject Economics
CLASS - XII A and C
Date 18 April 2020

Teacher Ms Geeta Sahni
Topic National Income
- Domestic Territory
- Normal Residents
- Dif b/w Factor Income and Transfer Income
- Dif b/w final goods and Intermediate goods

* content to be discussed.

* In today's class students will be able to understand about Domestic Territory and Normal Resident.

Notes will be sent through Pdf.

Mode of Teaching - Online Class using Microsoft teams.

Previous class Assignment-1 will be discussed.

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