

# National Income | Important PYQ Topics

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## INTRODUCTION

- National Income is the **complete value of the goods and services** produced by any country during its financial year.
  - Includes **wages, interest, rent, profit**, received by **factors of production like labour, capital, land and entrepreneurship of a nation**.
- **Various measures of determining national income:**
  - **GDP** (Gross Domestic Product)
  - **GNP** (Gross National Product)
  - **NNP** (Net National Product)
  - Personal Income (PI)
  - Disposable income (DI)
  - Per Capita Income (PCI)

## GROSS DOMESTIC PRODUCT (GDP)

- Refers to the **value of goods produced within the geographical territory of a country** irrespective of whether they are produced by citizens or foreigners.
- **GDP = consumption (C) + investment (I) + government spending (G) + (exports (X) - imports (M)) = C + I + G + (X-M)**

## GROSS NATIONAL PRODUCT (GNP)

- It is the **market value of final goods and services** produced in a year by the citizens of the country **regardless of their location**.
- **GNP = GDP + NFIA (Net factor income from abroad)**
  - If the value of (X-M) is negative then,  $GDP > GNP$

## NET NATIONAL PRODUCT (NNP)

- Net national product is considered a **true measure of national product** or income. It is defined as **GNP minus depreciation** or capital consumption allowance or wear and tear.
- **NNP = GNP - Depreciation**
  - **National Income (NI) = NNP + Subsidies - Interest Taxes**

## PERSONAL INCOME (PI)

- The **total money income** received by individuals and households of a country from all possible sources **before direct taxes**.
- **PI = NI - Corporate Income Taxes - Undistributed Corporate Profits - Social Security Contribution + Transfer Payments.**

## DISPOSABLE INCOME (DI)

- The **actual income** which can be spent on consumption by individuals and families after the payment of direct taxes from personal income.
- **DI = PI - Direct Taxes**

## PER CAPITA INCOME (PCI)

- Calculated by dividing the national income of the country by the total population of a country. Thus, **PCI = Total National Income/Total National Population.**

## PYQ

**Q. In an open economy the national income (Y) of the economy is: (C,I,G,X,M stand for Consumption, Investment, Govt. Expenditure, total exports and total imports respectively.)**

- a)  $Y = C + I + G + X$
- b)  $Y = I + G - X + M$
- c)  **$Y = C + I - G + (X - M)$**
- d)  $Y = C - G + I + (X - M)$

**Q. The most appropriate measure of a country's economic growth is its:**

- a) Gross Domestic Product
- b) Net Domestic Product
- c) Net National Product
- d) **Per Capita Real Income**

**Q. Explain Per Capita Income as a measurement of economic growth.**

**Q. What is Green GDP?**