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CHAPTER - 3

NATIONAL INCOME AND RELATED AGGREGATES.

GLOSSARY

- **Gross Domestic Product at Market Price (GDP_{MP})**

  It refers to gross market value of all final goods and services produced within the domestic territory of a country during a period of one year.

- **Gross Domestic Product at Factor Cost (GDP_{FC})**

  It refers to gross money value of all the final goods and services produced within the domestic territory of a country during a period of one year.

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$$GDP_{FC} = GDP_{MP} - \text{NET INDIRECT TAX}$$

- **Net Domestic Product At Market Price** (NDP_{MP})

It refers to net market value of all the final goods and services produced within the domestic territory of a country during a period of one year.

- $$NDP_{MP} = GDP_{MP} - \text{DEPRECIATION}$$

- **Net Domestic Product At Factor Cost** (NDP_{FC})

It refers to net money value of all the final goods and services produced within the domestic territory of a country during a period of one year.

$$NDP_{FC} = GDP_{MP} - \text{NET INDIRECT TAX} - \text{DEPR.}$$

- **Gross National Product at Market Price** (GNP_{MP})

It refers to gross market value of all the final goods and services produced by the normal residents of a country during a period of one year.

$$GNP_{MP} = GDP_{MP} + \text{NET FACTOR INCOME FROM ABROAD.}$$

- **Gross National Product at Factor Cost (GNP_{FC}):**

It refers to gross money value of all the final goods and services produced by the normal residents of a country during a period of one year.

$$GNP_{FC} = GDP_{MP} - NIT + NFIA$$

- **Net National Product at Market Price (NNP_{MP})**

It refers to net market value of all the final goods and services produced by the normal residents of a country during a period of one year.

$$NNP_{MP} = GDP_{MP} - \text{depr.} + NFIA$$

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- Net National Product at Factor Cost (NNP_{FC})

It refers to net money value of all the final goods and services produced by the normal residents of a country during a period of one year.

$$\boxed{NNP_{FC} = GDP_{MP} - NIT + NFIA - DEPR.}$$

★ **DIFFERENCIATE :**

Basis	Domestic Income (NDP_{FC})	National Income (NNP_{FC})
Nature of Concept	It is a territorial concept; includes value of final goods services produced within domestic territory of a country.	It is a National Concept; includes value of final goods and services by the normal residents produced in the entire world.
Category of Producers	Producers are within borders	Producers are normal residents.
NFIA	does not include NFIA	It Includes NFIA.

BASIC FORMULA TO REMEMBER WHILE SOLVING NUMERICALS:

1.

$$\begin{tikzcd} \text{GROSS} \arrow[d, bend left, "-\text{depr.}"] \\ \text{NET} \arrow[u, bend left, "-\text{depr}"] \end{tikzcd}$$

depr. also known as:
- Consumption of Fixed Capital

2.

$$\begin{tikzcd} \text{FC} \arrow[d, bend left, "+\text{NIT}"] \\ \text{MP} \arrow[u, bend left, "-\text{NIT}"] \end{tikzcd}$$

NIT = Indirect Tax
(−)
subsidies.

3.

$$\begin{tikzcd} \text{DOMESTIC} \arrow[d, bend left, "+\text{NFIA}"] \\ \text{NATIONAL} \arrow[u, bend left, "-\text{NFIA}"] \end{tikzcd}$$

NFIA =
factor income from abroad
(−)
factor income to abroad

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Q1. Calculate National Income (NNP_{FC}).

Given: In Cr.

GDP_{MP}	=	5500
Consumption of fixed Capital	=	300
GST	=	120
Factor Income from abroad	=	150
Subsidies	=	70
Factor Income to Abroad	=	250

Solⁿ $NNP_{FC} = GDP_{MP} - dep. + NFIA - NIT$

$= GDP_{MP} - (\text{consumption of fixed Capital}) + (\text{factor income from abroad} - \text{factor income to abroad}) - (GST - \text{subsidies})$

$= 5500 - (300) + (150 - 250) - (120 - 70)$

$= 5500 - 300 - 100 - 50$

$= ₹5500$ Cr.

Ans. ₹ 5500 Cr.