EXEMPLARY METHOD

1. **Answer in one sentence each**
   a. Define private final consumption expenditure.
   b. What does investment mean?
   c. Define depreciation.
   d. What does inventory investment mean?
   e. How is the ‘changes in inventory’ estimated?
   f. What makes the difference between Gross Domestic Capital Formation and Gross Domestic Fixed Capital formation?

2. **Answer in around 60 words each**
   a. What are the components of domestic expenditure?
   b. Define Gross Domestic Capital Formation. What are its components?
   c. Discuss the importance of gross domestic capital formation.
   d. How are the fluctuations in inventory stock important in macro economics?
   e. Why is export considered as a part of gross domestic expenditure?
   f. Why is import deducted from gross domestic expenditure?

3. **Answer in around 75 words.**
   a. What are the precautions to be taken while calculating national income using expenditure method?
   b. How are the following considered in estimating national income? Stat with reasons.
      1. Expenditure on purchase of machinery for installation in the factory.
      2. Expenditure on purchase of land.
      3. Expenditure on purchase of nondurable goods by a firm.
      4. Purchase of machineries by the dealer of the machineries and equipments for sale.
      5. Expenditure on purchase of shares of a newly formed company

4. **Answer in around 100 words.**
   a. What are the steps involved in estimating national income using expenditure method? Explain

5. **NUMERICAL QUESTIONS**

1. **CALCULATE GDPmp AND NNPfc**
   (All figures in Rs. Crores)
   i. Government final consumption expenditure 4560
   ii. Private final consumption expenditure 7540
   iii. Gross domestic fixed investment 2730
   iv. Closing stock 1050
   v. Opening stock 850
   vi. Consumption of fixed capital 270
   vii. Indirect taxes 300
viii. Subsidies 100
ix. Net factor income from abroad (-)20
xii. Net export (-)40

2. CALCULATE NDPfc AND GNPmp
i. Private final consumption expenditure 1760
ii. Government purchase of goods and services 1180
iii. Gross domestic fixed investment 370
iv. Inventory investment 100
v. Indirect taxes 210
vi. Subsidies 60
vii. Factor income received from abroad 170
viii. Factor income paid to abroad 150
ix. Consumption of fixed capital 30
x. Net export (-)120

3 CALCULATE NNPmp AND NDPfc
i. Government purchase of goods and services 120
ii. Households final consumption expenditure 600
iii. Inventory investment 10
iv. Indirect taxes 100
v. Final consumption expenditure of Private Non Profit Institution. 30
vi. Gross domestic fixed investment 110
vii. Net exports (-)20
viii. Subsidies 30
ix. Net factor income from abroad (-)5
x. Consumption of fixed capital 10

4. CALCULATE NDPmp AND NNPfc
i. Purchase of goods and services by the government 3150
ii. Final consumption of private non-profit making institutions 1750
iii. Household’s final consumption expenditure 7300
iv. Gross domestic fixed investment 2400
v. Changes in stock 850
vi. Net export 240
vii. Indirect taxes 430
viii. Subsidies 130
ix. Net factor income from abroad (-)120
x. Depreciation 150

5. CALCULATE GNPmp and NDPfc
i. Private final consumption expenditure 1760
ii. Purchase of goods and services by the government 560
iii. Net Domestic fixed capital formation 720
vi. Changes in inventory stock 120
vii. Net imports 100
viii. Consumption of fixed capital 110
ix. Indirect taxes 90
x. Subsidies 40
xi. Net factor income from abroad (-)15

6. CALCULATE GNPfc
i. Closing stock of inventories 190
ii. Opening stock of inventories 170
iii. Households final consumption expenditure 1920
iv. Final consumption of nonprofit institutions 180
v. Gross domestic fixed investment 800
vi. Factor income paid to abroad 280
vii. Indirect taxes 120
viii. Subsidies 40
ix. Net export 20
x. Factor income received from abroad 270
xi. Government purchase of goods and services 450

7. CALCULATE GDPmp and NDPfc
i. Private final consumption expenditure 2100
ii. Gross domestic fixed investment 1250
iii. Changes in inventory stock 70
iv. Export of goods and services 210
v. Import of goods and services 250
vi. Consumption of fixed capital 30
vii. Net factor income from abroad (-)15
viii. Indirect taxes 85
ix. Subsidies 25
x. Government expenditure on goods and services 160

8. CALCULATE NATIONAL INCOME AND NATIONAL DISPOSABLE INCOME
i. Net exports (-)120
ii. Net domestic capital formation 980
iii. Changes in inventory stock 110
iv. Private final consumption expenditure 1320
v. Consumption of fixed capital 180
vi. Net factor income from abroad (-)100
vii. Net current transfer from abroad 410
viii. Net indirect taxes 350
ix. Government final consumption expenditure 420
x. Subsidies 150

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