I. Answer in one sentence only

1. How does income method consider domestic product?
2. Define mixed income of self employed.
3. How is Net factor income paid to abroad considered in national income calculation?
4. Show how is Net Domestic Product at factor cost converted into Gross National Product at market prices.
5. What are transfers?
6. Why is capital gain not included in national income?

II. Answer in around 60 words.

1. Distinguish between transfer payment and factor payment.
2. How is profit considered in national income account?
3. What are the components of domestic factor income?
4. Define compensation of employees. What are its components?
5. What are the precautions to be considered while calculating national income through income method? Explain

III. Answer in around 100 words.

1. What are the different steps involved in estimating national income through value added method.
2. How are the following treated in the estimation of national income? Explain with reason.
   a. Imputed value of rent of owner occupied building.
   b. Interest on National debt
   c. Commission paid to a broker dealing in second hand goods
   d. Unemployment allowances received by household from government.

IV. Numerical Questions

1. CALCULATE NDPfc AND NNPfc
   i. Compensation of employees in cash 2400
   ii. Rent 260
   iii. Compensation of employees in kind 240
   iv. Mixed income of self employed 750
   v. Employers’ contribution to social security schemes 200
   vi. Indirect taxes 340
   vii. Net factor income from abroad (-)15
   viii. Consumption of fixed capital 60
   ix. Direct taxes 120
   x. Profits 320
   xi. Interest 340

2. CALCULATE GDPmp AND GNPmp
i. Compensation of employees 760
ii. Rent 140
iii. Interest 230
iv. Undistributed profits 100
v. Corporate profit taxes 120
vi. Dividends 180
vii. Subsidies 40
viii. Consumption of fixed capital 50
ix. Indirect taxes 80
x. Net factor income from abroad 30
xi. Mixed income of self employed 110

Note: Profits=Corporate profit tax+Undisteributed profit + Dividends

3. CALCULATE NDPmp AND GNPfc
   i. Compensation of employees 2100
   ii. Mixed income of self employed 300
   iii. Operating surplus 3700
   iv. Gross capital formation 4200
   v. Net capital formation 4100
   vi. Net indirect taxes 350
   vii. Subsidies 50
   viii. Net factor income from abroad 60
   ix. Employers contribution to social security schemes 40
(Operating surplus=Rent +Royalty + profits + interest)

4. CALCULATE GDPfc AND NNPmp
   i. Rent and Royalty 1650
   ii. Interest 1260
   iii. Compensation of employees 4230
   iv. Employers’ contribution to social security schemes 200
   v. Mixed income of self employed 1230
   vi. Factor income received from abroad 240
   vii. Factor payment to abroad 210
   viii. Consumption of fixed capital 160
   ix. Net indirect taxes 130
   x. Profits 430

5. CALCULATE NDPfc AND GNPmp
   i. Wages and salaries in cash 560
   ii. Compensation given to employees in kind 130
   iii. Employer’s contribution to social security schemes 120
   iv. Rent interest and profits 820
   v. Factor income to abroad 65
   vi. Factor income from abroad 85
   vii. Consumption of fixed capital 90
   viii. Net indirect taxed 80
   ix. Mixed income of self employees 230
   x. Employee’s contribution to social security schemes 50

6. CALCULATE NNPfc AND GNPfc
   i. Compensation of employees 1760
   ii. Employers contribution to social security schemes 140
   iii. Gross domestic capital formation 320
   iv. Rent, Interest and profits 2110
   v. Mixed income of self employed 170
vi. Net domestic capital formation 300
viii. Net factor income from abroad (-)20
ix. Net indirect taxes 30

7. CALCULATE NATIONAL INCOME
i. Profits 200
ii. Rent 80
iii. Interest 50
iv. Wages and salaries in cash and kind 350
v. Employers’ contribution to social security schemes 35
vi. Mixed income of self employed 250
vii. Net factor income from abroad (-)15
ix. Direct taxes 50
x. Employees’ contribution to social security schemes 20

8. CALCULATE NATIONAL INCOME
i. Compensation of employees 400
ii. Profits 200
iii. Rent 150
iv. Interest 100
v. Dividends 120
vi. Employer’s contribution to social security schemes 40
vii. Mixed income of self employed 500
viii. Indirect taxes 100
ix. Factor income from abroad 50
x. Factor income paid to abroad 100
xi. Employees contribution to social security schemes 70

9. Calculate national Income
i. Operating surplus 2100
ii. Net Current transfer from abroad 650
iii. Net factor income from abroad (-)120
iv. Compensation of employees 4300
v. Mixed income of self employed 1200
vi. Depreciation 280
vii. Net indirect taxes 640
viii. Current transfer from government 180

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