

CLASS XII
INCOME METHOD

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 NDP_{fc} AND NNP_{fc}**

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 GDP_{mp} AND GNP_{mp}

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

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

3. CALCULATE NDP_{mp} AND GNP_{fc}

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 GDP_{fc} AND NNP_{mp}

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 NDP_{fc} AND GNP_{mp}

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 NNP_{fc} AND GNP_{fc}

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
vii. Mixed income of self employed	250
viii. 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
