GANESAR COLLEGE OF ARTS AND SCIENCE

MELAISIVAPURI

BUSINESS ECONOMICS

Unit - V

National income

National income refers to the money value of all the goods and services produced in a country during a financial year. In other worlds, the final outcome of all the economic activities of the nation during a period of one year, valued terms of money is called as a national income.

Concepts of national income

1. Gross Domestic product (GDP)
2. Gross National product (GNP)
3. Net National product (NNP) at market price
4. Net National product (NNP) at Factor cost or National income

5. personal Income
6. Disposable Income

1. Gross Domestic product (GDP)

Gross Domestic product is the total market value of all final good and services currently produced within the domestic territory of a country in a year.

Four things must the market value of annual output and services produced in any given year must be conuted only once so as to avoid double counting. so. GDP should include the value monetary measure.

Secondly, for calculating GDP accurately, all goods and services produced in any given year must be counted only once so as to avoid double counting so, GDP should include the value of only final goods and services and ignores the transaction involving intermediate goods.

4. Net National product (NNP) at factor cost (National Income)

NNP factor cost or national Income is the sum of wages, rent, interest and profits paid to factors for their contribution to the production of goods and services in year.

NNP at factor cost = NNP at market price − Indirect Taxes + subsidies

5. personal income :

personal income is the sum of all income actually received by all individuals or household during a given year. In national Income there are some income, which is earned but not actually received by households such as social security contribution

personal ~~Inc~~ Income = National income − Social security contribution − corporate income taxes − undistributed corporate profits + transfer payments

Measurement of national Income.

Production generate incomes which are again spent on goods and services produced. Therefore national income can be measured by three methods.

1 output or production method
2. Income methods.
3. Expenditure method.

1. output or production method:

This method is also called the value added method. This method approaches national income from the output side. under this method, the economy is divided into different sectors such as agriculture, fishing, mining construction, manufacturing, trade and commerce, transport, communication and other services.

2. Income methods:

This methods approaches national income from the distribution side. According to this method. national income is obtained by summering up of the incomes of all individuals in the country. Thus, national income is calculated by adding up the rent of land wages and salaries of employees interest on capital profit of entrepreneurs and income of self-employed people.

3. Expenditure method.

This method arrives at national income by adding up all the expenditure made on goods and services during a years. Thus, the national income is found by adding up the following types of expenditure by households.

a. Expenditure on consumer goods and services by individuals and householder denoted by. c This is called personal consumption expenditure denoted by. c