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National Income Accounting

National Income (N.I)

The monetary value of all final goods and services produced by the residents of a country is called N.I.

N.I is calculated for a specified period normally a financial year.

In India, The financial year means April 1st to March 31st of next year.

$$\text{National Income} = C + I + G + (X - M)$$

Where

C = Total consumption expenditure

I = Total Investment expenditure

G = Total Government expenditure

X - M = Export- Import

Methods of N.I. Estimation: - In India, All the below three methods are used.

(a) Production/ product method-This is also called output method or Value Added Method. In this method the value added by each enterprise in the production goods and services is measured. Value added by an enterprise is obtained by deducting expenditure incurred on intermediate goods such as raw materials, unfinished goods (purchased from other firms from the value of output produced by an enterprise. Value of output produced by an enterprise is equal to physical output (Q) produced multiplied by the market price (P), that is, P.Q

Best & simple method

This method is mostly used in Agriculture and Mining etc

(b) Income method

This method approaches national income from distribution side. In other words, this method measures national income at the phase of distribution and appears as income paid and or received by individuals of the country. Thus, under this method, national income is obtained by summing up of the incomes of all individuals of a country.

Individuals earn incomes by contributing their own services and the services of their property such as land and capital to the national production.

Unregistered entities are included here

Service sector is the main Component

(c) Expenditure method

Expenditure method arrives at national income by adding up all expenditures made on goods and services during a year. Income can be spent either on consumer goods or capital goods. Again, expenditure can be made by private individuals and households or by government and business enterprises.

Used in construction.

Classification of Indian Economy: -

(1) Agriculture sector:

Agriculture

Forestry

Fisheries

(2) Industrial sector:

Mining

Manufacturing

Construction

Electricity gas and water supply

(3) Transport communication and trade

Trade, Hotel and restaurant

Transport, storage and communication.

(4) Finance and Real estate

Banking and Real Estate

Real estate and commercial services

(5) social and personal services

Public administration and defence other services.

(6) Foreign services

GDP- Gross Domestic Product