

UNIT-I

Chapter 1

NATIONAL INCOME

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CONCEPTS

GROSS DOMESTIC PRODUCT(GDP) definition

In one year in one country the total production of final goods and services at market prices with the help of all factors of production, is known as GDP. This includes all consumption , all investment and all government expenditure.

Explanation:

One year : Financial year—1st April to 31st March.

One country's estimation is done at a time.

Final goods and services means the goods and services are used directly for consumption and not for further production.

The production takes place within the country with all the factors of production

GDP: $P \times Q$ P: price, Q: total quantity produced within the country

GDP: $C + I + G$: Consumption, I: investment, G: government expenditure

GROSS NATIONAL PRODUCT (GNP)

In one year in one country the total production of final goods and services at market prices with the help of all factors of production, is known as GDP. When net national income earned from abroad is added to GDP it becomes GNP.

$$\text{GNP} = \text{GDP} + \text{Net Income Earned From Abroad}$$

Net national income earned from abroad is the difference between the earnings from exports and imports. (X-M)

$$\text{GNP} = \text{GDP} + (X - M)$$

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

NET DOMESTIC PRODUCT(NDP)

In one year in one country the total production of final goods and services at market prices with the help of all factors of production, is known as GDP. When depreciation is deducted from GDP, it becomes NDP. Depreciation means the wear and tear cost incurred on machines and other capital involved in production. It is also known as maintenance cost.

$$\text{NDP} = \text{GDP} - \text{DEPRECIATION}$$

NET NATIONAL PRODUCT(NNP)

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$$\text{NNP} = \text{GNP} - \text{DEPRECIATION}$$

ANNUAL ESTIMATES

GDP

In 2019-2020 is 204 lakh crore

In 2018-2019 it was 190 lakh crore

Questions

Question: Find GNP of 2019-20 and 2018-19

Note: Things to remember in today's lecture

Finding GNP when GDP IS given:

$GNP = GDP + \text{Net Income Earned From Abroad}$

Finding GDP when GNP IS given:

$GDP = GNP - \text{Net Income Earned From Abroad}$

Finding NDP from GDP

$NDP = GDP - \text{Depreciation}$

Finding GDP from NDP

$GDP = NDP + \text{Depreciation}$

Finding NNP from GNP

$NNP = GNP - \text{Depreciation}$

Finding GNP from NNP

$GNP = NNP + \text{Depreciation}$

Question : Find NNP when GDP is given? Hint: in two steps you can solve it.

