

# National Income Accounting

**IGNITED MINDS**  
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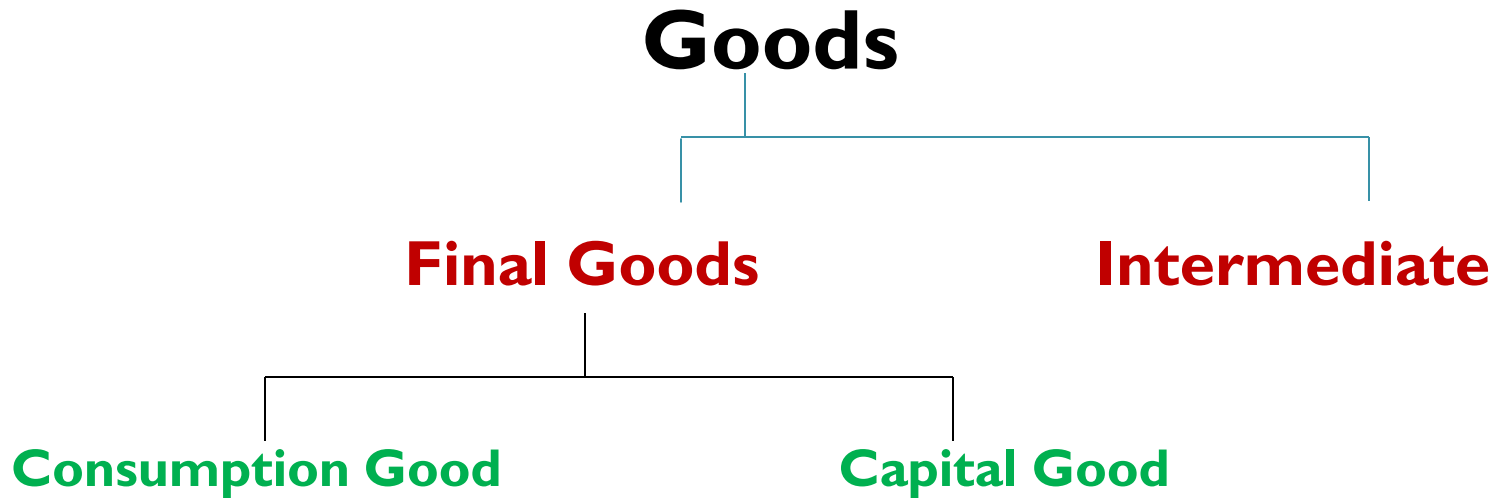
# Sources of Income

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There are fundamentally four kinds of contributions made during the production of goods and services

1. human labourer - **wage**
2. capital - **interest**
3. entrepreneurship - **profit**
4. fixed natural resources (land) - **rent.**

# Some definitions



The deletion, which is made from the value of gross investment in order to accommodate regular wear and tear of capital, is called **depreciation**.

$$\text{Net Investment} = \text{Gross investment} - \text{Depreciation}$$

# Factor Cost & Market Price

## Current Price & Constant Price

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$$MP = FC + \text{Indirect Tax} - \text{Subsidy}$$

Base Year = 2011-12

Current Year = 2017-18

**Price in current year (affected by inflation)  
= Current Price**

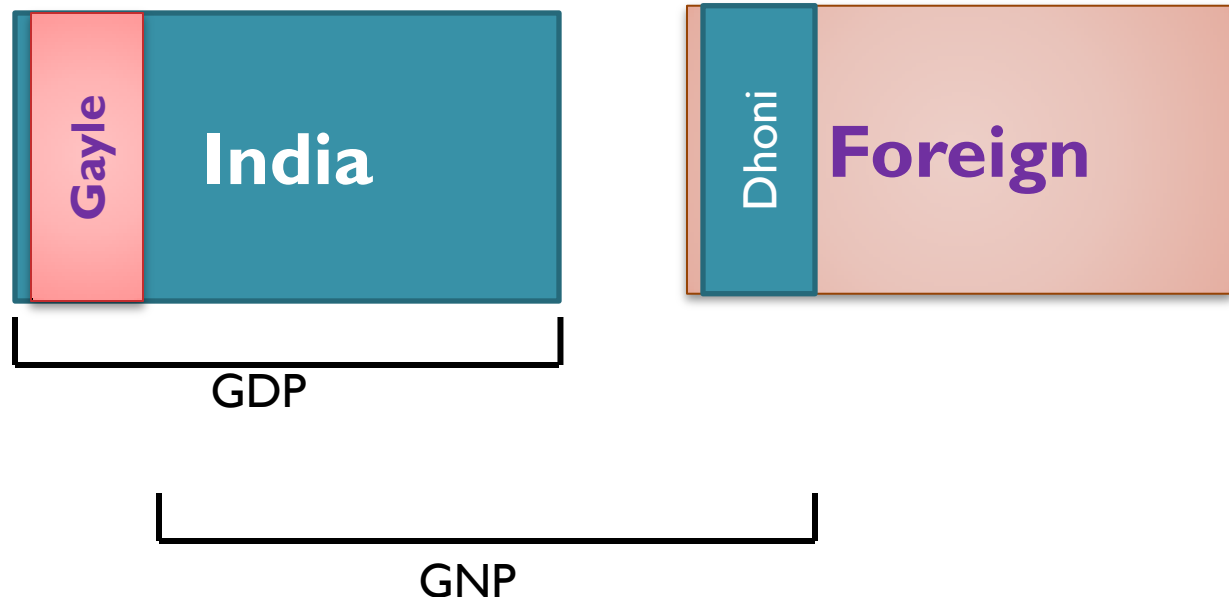
**Price in Base year = Constant Price**

# GDP & GNP

The aggregate amount of goods and services produced within the geographical boundary of a nation in a year is called **Gross Domestic Product (GDP)**.

**Financial Year in India is 1<sup>st</sup> April to 31<sup>st</sup> March.**

**GNP = GDP + Net factor income from abroad**



# NDP, NNP & PI

NDP= GDP - Depreciation

NNP= GNP - Depreciation

Net National Product at factor cost is called **National Income.**

**NI** ( $NNP_{FC}$ ) = **NNP<sub>MP</sub>** - Indirect Taxes + Subsidies

Personal Income (PI) =

**NI**

- Undistributed profits

+ Transfer payments to the households from the government and firms

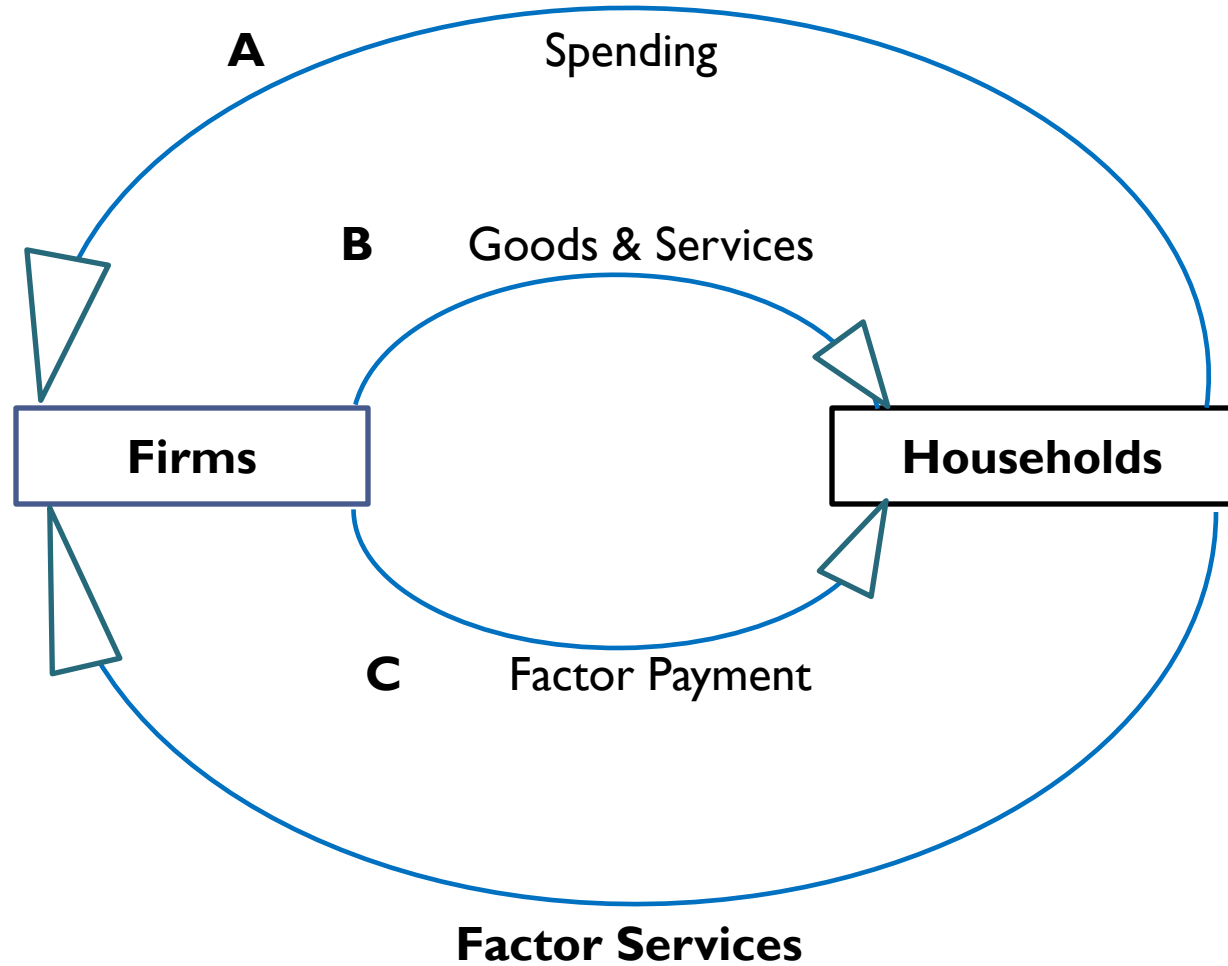
# GDP

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GDP at current prices is called **NOMINAL GDP**

GDP at constant prices is called **REAL GDP**

# Methods of Calculating NI





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# Planning

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# Planning Commission

- 1950- setup Chairman: Pt. Jawahar Lal Nehru
- Non-political and Non-constitutional body, makes recommendations to Government
- On January 01, 2015 Government estd. NITI Ayog.

## **National Development Council (NDC):**

- ❑ Set up by Union Cabinet in 1952
- ❑ Headed by PM, Central Min., CMs and Lt Governors, UT heads and Members of PC
- ❑ Approval of 5 year plans, review working of plans and recommend measures.
- ❑ Prescribe Guidelines for National Plans, plans for STs.

# National Institution for Transforming India: (NITI) Ayog

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- A policy think-tank of Govt replacing PC
- Purely an advisory body (the power to allocate funds vested to FinMin, PC had powers to allocate funds)
- Head by PM
- Has some part-time members invited by PM(No such provision in PC)
- Governing council replaces NDC
- Four Union Ministers nominated by PM as ex-officio
- Vice-chairman: Arvind Panagariya
- CEO: Sindhu Shree Khuller

# 5 Year Plans

Plan	Objective	Misc
1 <sup>st</sup> 1951-56 (Harrod Domar Model)	Agriculture	
2 <sup>nd</sup> 1956-61	Nehru-Mahalanobis	
3 <sup>rd</sup> 61-66	I.E. enters takes off stage	Worst famine 65-66
3 Annual plans 66-69(Plan Holiday)	Rupee devalued	
4 <sup>th</sup> pan 69-74	Underprivileged and weaker section	Green Revolution
5 <sup>th</sup> 74-79	Alleviate poverty	Terminated 1 year earlier
Rolling Plan 78-80	Minimum needs programme	Introduced by Janta Party Govt
6 <sup>th</sup> plan 80-85	Garibi Hatao	
7 <sup>th</sup> 1985-90	Increase employment	
2 Annual plans 90-92	Economic Crisis	

# 5 Year Plans continued...

Plan	Objective	Misc
8 <sup>th</sup> 92-97	Rao Manmohan Singh Model	
9 <sup>th</sup> 97-2002	Equality, women, st, sc, obc	
10 <sup>th</sup> 2002-2007	Governance improvement	
11 <sup>th</sup> 2007-2012	Sex ration to be increased to 935 2012 & 950 in 2016-17	
12 <sup>th</sup> 2012-17	Faster sustainable and more inclusive growth	

# 15 year vision document

- ❑ N. Modi Govt has decided to discontinue the 5 year plans and replace it with 15 year vision document, will come in after 12<sup>th</sup> FYP with objective “eradication of Poverty”
- ❑ 2017-18 to 2032-33      Vision Document
- ❑ 2017-18 to 2024-25      National Dev Agenda
- ❑ Review of Development agenda after every 3 years

# Questions

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Indian Economy is

A) Socialist

B) Capitalistic

C) Mixed

D) Ghandian

Answer

# Questions

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The national income estimation is the responsibility of:

- a. NSSO
- b. CSO
- c. Finance Ministry
- d. National Income Cmsn

Answer



# Questions

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The value of **GDP** adjusted for inflation is called

- a. Per capita income
- c. GNP

- b. Disposable income
- d. Real GDP

Answer

# Questions

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**Which of the following is NOT a method of calculating NI**

- a. income method
- c. Cost Method

- b. Expenditure Method
- d. Value Added Method

**Answer**

Any Queries?????



*Thank you all...*