**National Income and Related Aggregates –**

Numerically to determine private income, personal income, personal disposable income, National disposable income (net and gross) and their differences.

**Gross and Net:**

1. Gross means the value of product including depreciation. Net means the value of product excluding depreciation.  
2. The difference between these two terms is depreciation.  
3. Where depreciation is the expected decrease in the value of fixed capital assets due to its general use.  
4. It is the result of production process.  
Gross = Net + Depreciation Net = Gross – Depreciation  
Note: Other names of depreciation are:  
(a) Consumption of fixed capital (b) Capital consumption allowance  
(c) Current replacement cost.

**National Income and Domestic Income:**

1. National Income refers to net money value of all the final goods and services produced by the normal residents of a country during an accounting year.  
2. Domestic Income refers to a total factor incomes earned by the factor of production within the domestic territory of a country during an accounting year.  
3. The difference between these two incomes is Net Factor Income from abroad (NFIA), which is included in National Income (NY) and excluded from Domestic Income (DY).  
4. Where NFIA is the difference between income earned by normal residents from rest of the world and similar payments made to Non residents within the domestic territory. NFIA = Income earned by Residents from rest of the world (ROW) – Payments to  
Non-Residents within Domestic territory.  
NY = DY + NFIA DY = NY – NFIA  
Note:  
Case I: Income paid to abroad is given, then to make NFIA inverse the sign. For this put income from abroad 0.  
Example, Income paid to abroad =100  
NFIA = Income from Abroad – Income paid to abroad  
= 0 – 100 = -100 and vice versa.  
Case II: Income from abroad is given, then NFIA = Income from abroad. For this put income paid to abroad 0.  
Example, Income from abroad =100  
NFIA = Income from Abroad- Income paid to abroad = 100 – 0 = 100 and vice versa Case III: If income from abroad and income paid to abroad both are given, then NFIA is the difference between them,  
Example, Income from abroad =100 Income paid to abroad =120

NFIA = Income from Abroad- Income paid to abroad = 100 – 120 = (-) 20 and vice versa Case IV: Net factor income to abroad be given, then to make NFIA inverse the sign.  
Net factor income paid to abroad (NFPA) = income to abroad – income from abroad.  
Example,  
(i) Net Factor Income to abroad (NFPA = 100). In this NFPA is positive, which means that income to abroad is greater than income from abroad, which makes,  
NFIA = (-)100  
(ii) Net Factor Income to abroad [NFPA = (-)100]. In this NFPA is negative, which  
means that income to abroad is less than income from abroad, which makes,  
NFIA = (+) 100

**Factor Cost and Market Price:**

1. Factor Cost (FC): It refers to amount paid to factors of production for their contribution in the production process.  
2. Market Price (MP): It refers to the price at which product is actually sold in the market. The difference between these two is Net Indirect Taxes (NIT) which is included in MP and excluded from FC. Where NIT is the difference between indirect taxes and subsidies.  
NIT = IT – Subsidies  
Where, Indirect Taxes are the taxes which are levied by the government on production and sale of commodity. Sales tax, excise duty, custom duty, etc. are some of the indirect taxes, and subsidies are the cash grants given by the government to the enterprises to encourage production of certain commodities, to promote exports or to sell goods at prices lower than the free market Price. In India, LPG cylinder is sold at subsidized rates.  
MP = FC + NIT (Indirect Taxes – Subsidies)  
FC = MP – NIT (Indirect Taxes – Subsidies)  
Note:  
Case I: Subsidy is given, then to make NIT inverse the sign. For this put Indirect tax = 0.  
Example, Subsidy = 100  
NIT = Indirect Tax – subsidies = 0-100 = (-) 100 and vice versa  
Case II: IT is given, then NIT = IT (For this put subsidy 0)  
Example, IT = 100  
NIT = Indirect Tax – subsidies = 100-0 = 100 and vice versa  
Case III: If IT and subsidy both are given, then NIT is the difference.  
Example, IT = 100  
Subsidy = 80  
NIT = Indirect Tax – subsidies = 100-80 = 20  
Case IV: If sales tax and excise duty are given, then by adding both, we get indirect taxes.  
Example, Sales tax = Rs. 1000  
Excise duty = Rs.1000 Subsidy = Rs.500  
NIT = Indirect Tax(sales tax + excise duty)-subsidies = (1000 + 1000) – 500 = 1500  
Case V: If Net subsidy is given, then to convert it into Net Indirect tax, we have to inverse the sign,  
Net Subsidy = Subsidy – Indirect Tax  
Example,  
(a) Net Subsidy = 100. In this, Net subsidy is positive, which means that indirect tax is less than subsidy which makes,  
NIT = (-) 100  
(b) Net Subsidy = (-) 100. In this Net subsidy is negative which means that Indirect tax is greater than subsidy which makes,  
NIT = 100  
Case VI: If Net subsidy and Indirect tax both are given, then we have to ignore Indirect Tax and inverse the sign of Net subsidy.  
Example, Net Subsidy = 100  
Indirect Tax = 20 Net Indirect Tax = (-) 100 Numeribals Illustration on Basic Concept

**Aggregate of National Income**

1. Gross Domestic Product at Market Price (GDPMP): GDPMP is defined as the gross market value of the final goods and services produced within the domestic territory of a country during an accounting year by all production units.  
(a) ‘Gross’ in GDPMPsignifies that depreciation is included, i.e., no provision has been made for depreciation.

(b) ‘Domestic’ in GDPMPsignifies that it includes all the final goods and services produced by all the production units located within the economic territory (irrespective of the fact whether produced by residents or non-residents).  
(c) ‘Market Price’ in GDPMP signifies that indirect taxes are included and subsidies are excluded, i.e., it shows that Net Indirect Taxes (NIT) have been included.

(d) ‘Product’ in GDPMP signifies that only final goods and services have to be included and intermediate goods should not be included to avoid the double counting.  
2. Gross Domestic Product at Factor Cost ( GDPFC): GDPFCis defined as the gross factor value of the final goods and services produced within the domestic territory of a country during an accounting year by all production units excluding Net Indirect Tax.  
GDPFC= GDPMP – Net Indirect Taxes  
3. Net Domestic Product at Market Price (NDPMP).  
NDPMP is defined as the net market value of all the final goods and services produced within the domestic territory of a country by its normal residents and non-residents during an accounting year.  
NDPMP =GDPMP – Depreciation  
4. Net Domestic Product at Factor Cost (NDPFC ).  
NDPFC refers to a total factor income earned by the factor of production within the domestic territory of a country during an accounting year.  
NDPFC = GDPMP – Depreciation – Net Indirect Taxes NDPFC is also known as Domestic Income or Domestic factor income.  
5. Gross National Product at Market Price (GNPMP).  
GNPMP refers to market value of all the final goods and services produced by the normal residents of a country during an accounting year.  
GNPMP = GDPMP+ Net factor income from abroad It must be noted that GNPMP can be less than GDPMP when NFIA is negative. However, GNPMPwill be more than GDPMP when NFIA is positive.

6. Gross National Product at Factor Cost (GDPFC) or Gross National Income GNPFC refers to gross factor value of all the final goods and services produced by the normal residents of a country during an accounting year.  
GDPFC = GNPMP – Net Indirect Taxes  
7. Net National Product at Market Price (NNPMP).  
NNPMP refers to net market value of all the final goods and services produced by the normal residents of a country during an accounting year.  
NNPMP= GNPMP – Depreciation  
8. Net National Product at Factor Cost (NNPFC).  
NNPFC refers to net money value of all the final goods and services produced by the normal residents of a country during an accounting year.  
NNPFC= GNPMP – Depreciation – Net Indirect Taxes It must be noted that NNPFC is also known as National Income