

National Income & Related Aggregates

By

Afshana Parveen

Assistant Professor

Department of Economics

Dr. B.K.B. College, Puranigudam

Gross Domestic Product at Factor Cost (GDP_{FC})

- ▶ It is the sum total of factor incomes (rent, wages, interest and profits) generated within the domestic territory of a country
- ▶ From the buyers pay, the production units have to make payments of indirect taxes
- ▶ Sometimes production units receive subsidies from the government, which is addition to the market price received from the buyer
- ▶ What production units actually receive is----- Market price - Indirect taxes + Subsidies
- ▶ $GDP_{FC} = GDP_{MP} - \text{Indirect Taxes} + \text{Subsidies}$

Gross National Product at Factor Cost (GNP_{FC})

- ▶ It includes net factor income from abroad
- ▶ $GNP_{FC} = GDP_{FC} + NFIA$
- ▶ $GNP_{FC} = GNP_{MP} - \text{Indirect Taxes} + \text{Subsidies}$

Net Domestic Product at Factor Cost (NDP_{FC})

- ▶ Total factor income earned by the factors of production in an accounting year
- ▶ It excludes indirect taxes and includes subsidies given by the government
- ▶ $NDP_{FC} = NDP_{MP} - \text{Indirect taxes} + \text{Subsidies}$

National Income OR National Income at Factor Cost (NNP_{FC})

- ▶ Simply called National Income
- ▶ Sum of all incomes earned by factors for their contribution
- ▶ It shows how much a society costs to produce net output
- ▶ To calculate NNP_{FC} , we use *indirect taxes* and *subsidies*

- ▶ Final value of goods and services (market prices) must be equal to the cost involved in production (factor cost)
- ▶ Market prices include indirect taxes, does not take into account the subsidies given by govt.
- ▶ To make equality, indirect taxes are subtracted and subsidies are added
- ▶ **$NNP_{FC} = NNP_{MP} - \text{Net Indirect Taxes}$**

OR

$NNP_{MP} - (\text{Indirect taxes} - \text{Subsidies})$

OR

$NNP_{MP} - \text{Indirect taxes} + \text{Subsidies}$

Thank You