What is Income Method?

National income computed by summing up the rent of a land, salaries of employees and wages, interest on capital, surplus profits of entrepreneurs (including unallocated corporate profits) and earnings of self-employed people. This methodology of evaluating national income has the great advantage of manifesting the allocating of national income among different earning groups such as**:**

* Workers
* Landlords
* Entrepreneurs
* Owners of capital

As mentioned earlier, the sum of final expenditures in the economy must be equivalent to the income received by all the factors of manufacturing taken together. This follows from the simple notion that the revenues earned by all the enterprises put together must be allocated among the factors of manufacturing as profits, salaries, interest earnings, wages, and rents.

*1. From the following data, Calculate*

*a. National Income*

*b. Personal disposable income*

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| --- | --- |
| *ITEMS* | *(Rs. IN Crores)* |
| *i. Compensation of employee* | *1000* |
| *ii. Rent.* | *200* |
| *iii. Profit* | *500* |
| *iv. C F C* | *100* |
| *v. M I* | *800* |
| *Vi. Private income* | *2000* |
| *vii. NFIA* | *-50* |
| *viii. Net retained earnings of private enterprises.* | *150* |
| *ix. Interest* | *250* |
| *x. N I T* | *160* |
| *xi. Net Export.* | *-40* |
| *xii. Direct taxes paid by household* | *120* |
| *Xiii. Corporation tax.* | *200* |
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*2. From the following data, Calculate*

*a. National Income*

*b.Net National disposable  income : -*

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| *ITEMS* | *(Rs. IN Crores)* |
| *i. Compensation of employee* | *600* |
| *ii. Rent.* | *100* |
| *iii. Profit* | *80* |
| *iv. C F C* | *50* |
| *v. M I* | *200* |
| *Vi. Current transfer from government* | *25* |
| *vii. NFIA* | *(-) 10* |
| *Viii . Interest* | *120* |
| *ix. N C T from ROW* | *20* |
| *x. N I T* | *110* |

3. *Find Gross National Product at market price and Net National Disposable income.*

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| ***ITEMS*** | ***(Rs. IN Crores)*** |
| *i. Compensation of employee* | *4,000* |
| *ii. Rent* | *800* |
| *iii. Profit* | *1,500* |
| *iv. Undistributed profit* | *400* |
| *v. M I* | *1,800* |
| *Vi. Net export* | *- 30* |
| *Vii. Net domestic capital formation.* | *900* |
| *viii. Gross domestic capital formation* | *1,000* |
| *IX. Change in stock* | *50* |
| *x. Interest* | *900* |
| *xi. N I T* | *500* |
| *xii. NCT from ROW* | *60* |
| *xiii. N F I A* | *- 80* |

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| **4. Calculate NDP at FC by using Income Method** | | |
| **S. No** | **Items** | **Amount**  **(` In Crores)** |
| 1 | Income from Domestic Product Accruing to Private Sector | 4000 |
| 2 | Income from Domestic Product Accruing to Public Sector | 2000 |

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| **5. Calculate NDP at FC by using Income Method** | | |
| **S. No** | **Items** | **Amount**  **(` In Crores)** |
| (i) | Compensation of Employees | 1000 |
| (ii) | Operating Surplus | 2000 |
| (iii) | Mixed-Income of Self employed | 5000 |
| (iv) | Income from Domestic Product Accruing to Public Sector | 10000 |

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| **6. Calculate NDP at FC by using Income Method** | | |
| **S. No** | **Items** | **Amount**  **(` In Crores)** | |
| 1 | Income from Domestic Product Accruing to Private Sector | 14000 | |
| 2 | Savings of Non-Departmental Enterprise | 12000 | |
| 3 | Income from property and Entrepreneurship to government administrative departments | 23000 | |

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| **7. Calculate NDP at FC by using Income Method** | | |
| **S. No** | **Items** | **Amount**  **(` In Crores)** | |
| 1 | Compensation of Employees | 3000 | |
| 2 | Operating Surplus | 2000 | |
| 4 | Savings of Non-Departmental Enterprise | 4000 | |
| 5 | Income from property and Entrepreneurship to government administrative departments | 5000 | |

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| |  |  |  | | --- | --- | --- | | **8. Calculate NDP at FC by using Income Method** | | | | **S. No** | **Items** | **Amount**  **(` In Crores)** | | | 1 | Wages | 2100 | | | 2 | Rent | 5300 | | | 3 | Interest | 1500 | | | 4 | Profit | 1100 | | | 5 | Mixed-Income of Self employed | 5590 | | | 6 | Savings of Non-Departmental Enterprise | 2410 | | | 7 | Income from property and Entrepreneurship to government administrative departments | 8000 | | |  |  |

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| **9- Calculate NDP at FC by using Income Method** | | |
| **S. No** | **Items** | **Amount**  **(` In Crores)** |
| (a) | Wages and Salaries | 32100 |
| (b) | Rent | 52300 |
| (c) | Royalty | 12500 |
| (d) | Interest | 10100 |
| (e) | Corporate Tax | 50590 |
| (f) | Dividend | 20410 |
| (g) | Undistributed Profit | 81000 |
| (h) | Mixed-Income of Self employed | 12110 |
| (i) | Savings of Non-Departmental Enterprise | 5190 |
| (j) | Income from property and Entrepreneurship to government administrative departments | 15500 |

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| **10- Calculate Domestic Income and National Income by using Income Method** | | |
| **S. No** | **Items** | **Amount** |
| (i) | Compensation of Employees | 3000 |
| (ii) | Income from Property | 2000 |
| (iii) | Income from Entrepreneurship | 1500 |
| (iv) | Mixed-Income of Self employed | 4500 |
| (v) | Savings of Non-Departmental Enterprise | 5000 |
| (vi) | Income from property and Entrepreneurship to government administrative departments | 2000 |
| (vii) | Depreciation | 1000 |
| (viii) | Net Indirect Taxes | 500 |
| (ix) | Net Factor Income from Abroad | 1000 |

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| **11. Calculate NDP at FC and NNP at FC by using Income Method** | | |
| **S. No** | **Items** | **Amount**  **(` In Crores)** |
| 1 | Wages | 2000 |
| 2 | Salaries | 1000 |
| 3 | Employers’ contribution to Social Security Schemes | 500 |
| 4 | Rent | 1000 |
| 5 | Interest | 1500 |
| 6 | Profit | 1000 |
| 7 | Mixed-Income of Self employed | 2500 |
| 8 | Savings of Non-Departmental Enterprise | 4000 |
| 9 | Income from property and Entrepreneurship to government administrative departments | 5000 |
| 10 | Depreciation | 1000 |
| 11 | Indirect Taxes | 1500 |
| 12 | Subsidies | 500 |
| 11 | Factor Income from Abroad | 2000 |
| 13 | Factor Income to Abroad | 500 |

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| **12. - Calculate NDP at FC and NNP at FC by using Income Method** | | | | |
| **S. No** | **Items** | | **Amount**  **(` In Crores)** | |
| 1 | Wages and Salaries | | 4000 | |
| 2 | Rent & Royalty | | 2000 | |
| 3 | Compensation of Employees | | 5000 | |
| 4 | Interest | | 6000 | |
| 5 | Corporate Tax | | 1000 | |
| 6 | Profit | | 4000 | |
| 7 | Undistributed Profit | | 1000 | |
| 8 | Mixed-Income of Self employed | | 2000 | |
| 9 | Savings of Non-Departmental Enterprise | | 3000 | |
| 10 | Income from property and Entrepreneurship to government administrative departments | | 5000 | |
| 11 | Net Factor Income to Abroad | | 1000 | |
| 12 | Subsidies | | 1000 | |
| 13 | Consumption of Fixed Capital | | 500 | |
| 14 | Employees’ contribution to Social Security Schemes | | 1000 | |
| **13. Calculate NDP at FC and NNP at FC by using Income Method** | | | | |
| **S. No** | | **Items** | | **Amount**  **(` In Crores)** |
| (a) | | Wages and Salaries | | 1000 |
| (b) | | Rent | | 2000 |
| (c) | | Royalty | | 2500 |
| (d) | | Interest | | 1000 |
| (e) | | Corporation Tax | | 2100 |
| (f) | | Dividend | | 900 |
| (g) | | Undistributed Profit | | 550 |
| (h) | | Mixed-Income of Self-employed | | 450 |
| (i) | | Savings of Non-Departmental Enterprise | | 3000 |
| (j) | | Income from property and Entrepreneurship to government administrative departments | | 1000 |
| (k) | | Net Factor Income from Abroad | | 1000 |
| (l) | | Factor Income to Abroad | | 500 |
| (m) | | Net Indirect Taxes | | 500 |
| (n) | | Consumption of Fixed Capital | | 200 |
| (o) | | Subsidies | | 700 |
| (p) | | Employers’ contribution to Social Security Schemes | | 100 |

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| **14 Calculate Domestic Income and National Income by using Income Method** | | |
| **S. No** | **Items** | **Amount**  **(` In Crores)** |
| 1 | Factor Income to Abroad | 11000 |
| 2 | Rent | 21000 |
| 3 | Royalty | 12500 |
| 4 | Subsidies | 10100 |
| 5 | Tax by Companies | 1100 |
| 6 | Income from property and Entrepreneurship to government administrative departments | 9000 |
| 7 | Retained Profits | 11500 |
| 8 | Mixed-Income of Self employed | 14500 |
| 9 | Factor Income from Abroad | 20000 |
| 10 | Income from Domestic Product Accruing to Public Sector | 19000 |
| 11 | Dividend | 11000 |
| 12 | Depreciation | 1500 |
| 13 | Indirect Taxes | 5000 |
| 14 | Interest | 2000 |
| 15 | Wages and Salaries | 11800 |