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### WORKSHEET 16

SCHOOL: BA SANGAM COLLEGE

YEAR: 12

Name: \_\_\_\_\_

SUBJECT: ECONOMICS

<b>Strand</b>	3. Macroeconomics
<b>Sub Strand</b>	3.1 National Income Approaches
<b>Content Learning Outcome</b>	EC 12.3.1.1 Evaluate the different approaches of calculating National Income together with its limitations.

### LESSON NOTES

#### NATIONAL INCOME

##### Example of Income and Expenditure Approach

Using the figures in the table given below calculates GDP using: (i) Income Approach (ii) Expenditure Approach

Operating Surplus	21000
Increase in Stock	900
Compensation of Employees	42000
Imports of goods and services	15000
Gross Fixed Capital Formation	11000
Govt Expenditure	23000
Subsidies	400
Exports of goods and services	14000
Consumption of Fixed Capital	6000
Final Private consumption Expenditure	43000
Indirect Taxes	300
Statistical discrepancy	300

##### **Solution: Income Approach**

$$\begin{aligned} \text{GDP} &= r + w + P + \text{Depreciation} + (\text{Indirect Taxes} - \text{Subsidies}) \\ &= 42000 + 21000 + 6000 + (8000 - 400) \\ &= 69000 + 7600 \\ &= \mathbf{\$76600} \end{aligned}$$

### Expenditure Approach

$$\begin{aligned} \text{GDP} &= C + I + G + (X - IM) \\ &= 43000 + (11000 + 900) + 23000 + (14000 - 15000) \\ &= 43000 + 11900 + 23000 + (14000 - 15000) \\ &= 76900 - \text{Statistical Discrepancy} \\ &= 76900 - 300 \\ &= \mathbf{\$76600} \end{aligned}$$

### ACTIVITY

1.

Using the information below calculate GDP using income and expenditure method.

	<b>₹ billions</b>
Gross fixed capital formation	32
Gross operating surplus	34
Net exports	-2
Net indirect taxes	25
Physical increase in stock	2
Private Consumption expenditure	39
Government consumption expenditure	1
Statistical discrepancy	31
Compensation to employees	44

Income Approach

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(4 marks)

Expenditure Approach

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(4 marks)

2. List two limitation of GDP as a measure of economic welfare.

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(2 marks)

THE END