National Income

- **National income is the money value of all the final goods and services produced by a country during a period of one year. National income consists of a collection of different types of goods and services of different types.**

National Income

- **Since these goods are measured in different physical units it is not possible to add them together.** Thus we cannot state national income is so many millions of meters of cloth. Therefore, there is no way except to reduce them to a common measure. **This common measure is money.**

Basic Concepts In National Income

- Gross domestic product
- Gross domestic product at constant price and at current price
- Gross domestic product at factor cost and Gross domestic product at market price

Basic Concepts In National Income

- Net domestic product
- Gross national product
- Net national Product
- Net national product at factor cost or national income

Gross Domestic Product

- **Gross domestic product is the money value of all final goods and services produced in the domestic territory of a country during an accounting year.**

Gross Domestic Product at Constant price and Current price

- **GDP can be estimated at current prices and at constant prices.** If the domestic product is estimated on the basis of the **prevailing prices it is called gross domestic product at current prices.**

Gross Domestic Product at Constant price and Current price

- **If GDP is measured on the basis of some fixed price,** that is price prevailing at a point of time or in **some base year it is known as GDP at constant price or real gross domestic product.**

GDP at Factor cost and GDP at Market price

- The contribution of each producing unit to the current flow of goods and services is known as the net value added.
- GDP at factor cost is estimated as the sum of net value added by the different producing units and the consumption of fixed capital.

GDP at Factor cost and GDP at Market price

- Conceptually, the value of GDP whether estimated at market price or factor cost must be identical. This is because the final value of goods and services must be equal to the cost involved in their production.
- **GDP F.C = GDP M.P – IT + S.**

Net Domestic Product

- **While calculating GDP no provision is made for depreciation allowance (also called capital consumption allowance). In such a situation gross domestic product will not reveal complete flow of goods and services through various sectors.**

Net Domestic Product

- **A part of is therefore, set aside in the form of depreciation allowance. When depreciation allowance is subtracted from gross domestic product we get net domestic product.**
- **NDP = GDP – Depreciation.**