



KHAN GLOBAL STUDIES

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Economics

By : Dr. Bharat Sir

Three Different Methods of Measuring National Income

(i) Product Method (or Value Added Method), (ii) Income Method, (iii) Expenditure Method.

Product Method (or Value Added Method) is that method which measures the gross value added (or gross domestic product) at market price as the sum total of value added by all the producing units within the domestic territory of the country, during the period of an accounting year. It is adjusted to find national income (NNP_{FC}).

- **Precaution:** Add only the market value of final goods and services, do not include market value of intermediate goods and services.

Or

Avoid double counting.

- **Double Counting and Avoiding it:** Double counting occurs if output of all the producers is added up without considering the fact that output of one producer may have been used as an input by the other. It can be best avoided by adding up value added, rather than output of different firms.

Value Added Value of output-Intermediate consumption (referring to expenditure on intermediate goods and services)

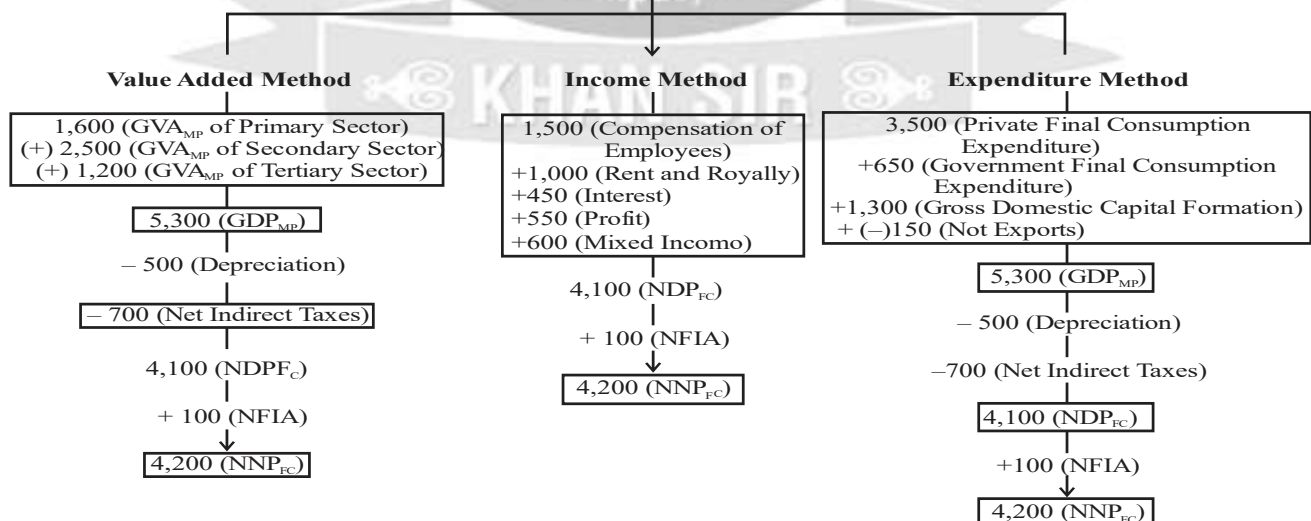
Income Method is that method which measures domestic income as the sum total of factor incomes (rent + interest + profit + wages) generated within the domestic territory of a country during the period of an accounting year. Net factor income from abroad is added to domestic income to find national income (NNP_{FC}).

- **Precaution :** Add only factor incomes, do not include transfer payments. Also, do not include income generated through illegal activities (like, gambling).

Expenditure Method is that method which measures the gross domestic product at market price as the sum total of the expenditure (consumption expenditure and investment expenditure) on the purchase of final goods and services produced within the domestic territory of the economy during the period of an accounting year. It is adjusted to find national income (NNP_{FC}).

- **Precaution:** Consider only the expenditure on final goods that causes: (i) final consumption, or (ii) capital formation (also called investment); do not include expenditure on intermediate goods and services. Also, do not consider expenditure on second-hand goods or on shares and bonds.

NATIONAL INCOME BY 3 METHODS



Items included/excluded in National Income

1. Construction of a new house.

Yes, it will be included in the national income as it is a part of capital formation and leads to production of goods and services in the economy.

2. Winning of a Lottery Prize or Crossword or Contests or other Windfall Gains.

No, it will not be included in the national income as it does not add to the flow of goods and services in the economy.

3. Increase in the prices of stocks lying with a trader.

No, it will not be included in the national income as it does not amount to any flow of goods.

4. National debt interest.

OR

Interest on public debt.

No, it is not included in the national income as it is the interest paid on loans taken by government to meet its consumption purposes.

5. Rent-free house given to an employee by an employer.

Yes, it is included in the national income by Income Method since it is a part of 'wages in kind' paid to employees.

6. Profits earned by the branches of a foreign bank in India.

No, it is not included in the national income as it is a part of the factor income paid abroad. It is subtracted from domestic income to get national income.

7. Purchases by foreign tourists.

OR

Food purchased by a foreign tourist at a hotel in New Delhi.

Yes, purchases by foreign tourists are 'exports' and, therefore, they are included in the national income through the Expenditure Method.

8. Rent received by Indian residents on their buildings rented out to foreigners in India.

Yes, it will be included in the national income as it is a part of the factor income from abroad.

9. Payment of fees to a lawyer engaged by a firm.

OR

Expenditure by a firm on payment of fees to a chartered accountant.

It is an intermediate expenditure for the firm because it involves purchase of services by one production unit (firm) from another production unit (lawyer). So, it is deducted from the value of output of the firm to arrive at the value added. So, it is not included in national income.

10. Free medical facilities by the employer.

OR

Free boarding and lodging provided to a domestic servant.

Yes, it will be included in national income as these free services are part of compensation to employees.

11. Gifts received from abroad.

OR

Gift received from employer.

No, it will not be included in national income as gifts received are transfer incomes.

12. Profits of Reliance Industries from its chemicals business in Australia.

Yes, it will be included in the national income as it is a part of the factor income from a...

13. Salaries received by Indian residents working in Russian Embassy in India.

Yes, it will be included in the national income as it is a part of factor income from abroad.

14. Subsidized lunch served to workers in a factory.

OR

Firm incurred expenditure on medical treatment of employee's family.

Yes, it is a part of the compensation of employees and, therefore, it will be included in the national income.

15. Old age pension

No, it will not be included in the national income as it is a transfer payment made by the government and a transfer income for the receiver.

16. Durable goods purchased by a household.

OR

Purchase of car by a household.

Yes, it will be included in the national income as it is a part of the private final consumption expenditure.

17. Profits earned by an Indian bank from its branches abroad.

Yes, they will be included in the national income as they are a part of the factor income from abroad.

18. Earnings of shareholders from the sale of shares.

No, it will not be included in the national income as it is a financial claim and does not contribute to any productive activity.

19. Expenditure on advertisement by a firm.

OR

Commodities used in scientific research.

No, it will not be included in the national income as it is a part of intermediate consumption expenditure.

20. Receipts from sale of land.

No, it will not be included as land is a free gift of nature and cannot be produced.

21. Financial help received by flood victims.

No, it will not be included in the national income as it is a transfer income.

22. Purchase of a machine by a factory.

OR

Purchase of taxi by a taxi-driver.

Yes, it will be included in the national income as it is a part of the gross domestic capital formation.

23. Royalty

Yes, it will be included in the national income as royalty is a productive income.

24. Commission on sale of second-hand goods.

OR

Brokerage payment on sale of shares.

Yes, it will be included in the national income as it is the income of a middleman for his productive services to various parties.

25. Dividend received by an Indian from his Investment In shares of a foreign company.

Yes, it will be included in the national income as it is factor Income from abroad.

26. Purchase of raw materials by a production unit.

OR

Milk purchased by a Sweet shop to make milk-cake.

No, it will not be included in the national income as it is a part of the intermediate consumption expenditure.

27. Earnings of a self-employed doctor having a clinic at his own residence.

Yes, it will be included in the national income as it is a mixed income.

28. Money received from sale of second-hand goods.

No, it will not be included in the national income because receipts from the sale of second-hand goods are by virtue of transfer of an already existing object.

29. Contribution to provident fund by employer.

OR

Value of interest foregone on loans provided by employer to employee.

Yes, it will be included in the national income as it is a part of the compensation to employees.

30. Wheat grown by a farmer but used entirely for family's consumption.

Yes, it is included in the national income because it adds to the current flow of goods and services. Therefore, its imputed value should be included.

31. Expenditure on the construction of a flyover by the government.

Yes, it will be included in the national income as it is a part of gross domestic capital formation.

32. Commission received by a dealer from the buyer and seller of a house.

Yes, it will be included in the national income as it is the income of the dealer for his productive services.

33. Growing vegetables in a kitchen garden of the house.

No, it will not be included in the national income as it is difficult to estimate the value of production (It is a non-market transaction).

34. Services rendered by family members to each other.

No, it will not be included in the national income as it is difficult to determine the value of services provided by family members to each other.

35. Expenditure by government in providing free education.

OR

Expenditure on free services provided by government.

OR

Expenditure by government on providing free educational services.

OR

Expenditure on providing police services by the government.

OR

Government expenditure on street lighting.

Yes, it will be included in the national income as it is a part of the government final consumption expenditure.

36. Insurance premium paid by an household.

OR

Fees received from student.

Yes, it is included in the national income as it is a part of the private final consumption expenditure. 38. Mineral wealth of a nation.

It is a part of National wealth and is not included in national income. However, that part of mineral wealth which has been extracted during the current year will be included in national income under the product method.

37. Value of wood purchased for manufacturing a table.

OR

Expenditures on the purchase of cold drinks by a school canteen from the manufacturer.

Transport expenses by a firm.

OR

Expenditure on engine oil by car service station.

No, it will not be included in the national income as it is a part of intermediate consumption expenditure.

38. Purchase of equipments for installation in a factory.

Yes, it will be included in the national income as it is a part of capital formation.

39. Payment of interest tax.

OR

Payment of Death duty.

No, it will not be included in the national income as it is a compulsory transfer payment to the government.

40. Salaries paid to Russians working in Indian Embassy in Russia.

No, it is not included in the national income as it is a part of the factor income paid abroad. It is subtracted from domestic income to get national income.

41. Capital gains to Indian residents from sale of shares of a foreign company.

No, capital gains will not be included in the national income as they do not add to the current flow of goods and services in the economy.

42. HP uses its own new Laptops in its office for self-consumption.

Yes, it is included in the national income as it adds to current flow of goods and services. Therefore, imputed value of laptops should be included.

43. Purchase of a truck to carry goods by a production unit.

Yes, it will be included in the national income as it is a part of the gross domestic

44. Direct purchase made abroad by government.

Yes, it will be included in the national income as it is a part of the government fina

45. Receipt from sale of property, Inherited from a relative.

No, it will not be included in the national income as receipt from sale of such property is by virtue of transfer of an already existing object.

46. Entertainment allowance to an employee for entertaining business guests.

No, it will not be included in the national income as it is intermediate consumption expenditure of the business.

47. Expenditure on the purchase of shares of a new company.

OR

Sale of bonds by a company.

OR

Purchase of shares by a domestic firm.

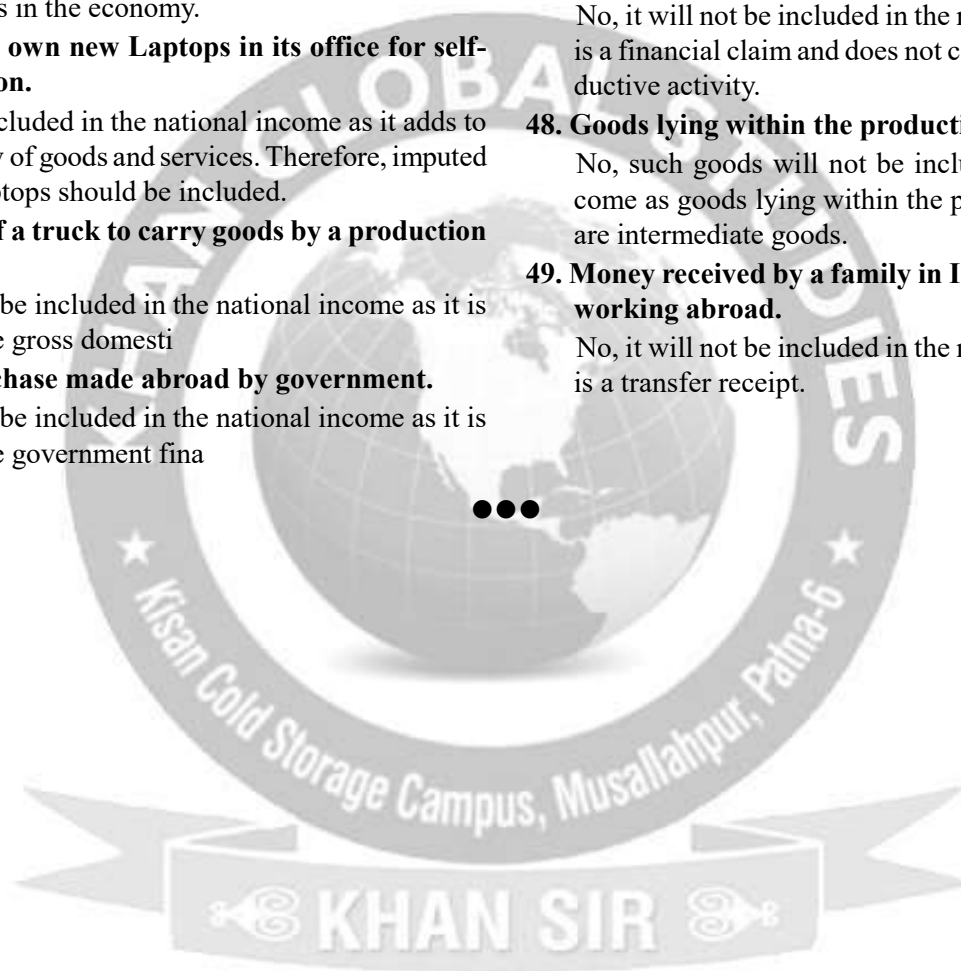
No, it will not be included in the national income as it is a financial claim and does not contribute to any productive activity.

48. Goods lying within the production boundary.

No, such goods will not be included in national Income as goods lying within the production boundary are intermediate goods.

49. Money received by a family in India from relatives working abroad.

No, it will not be included in the national income as it is a transfer receipt.





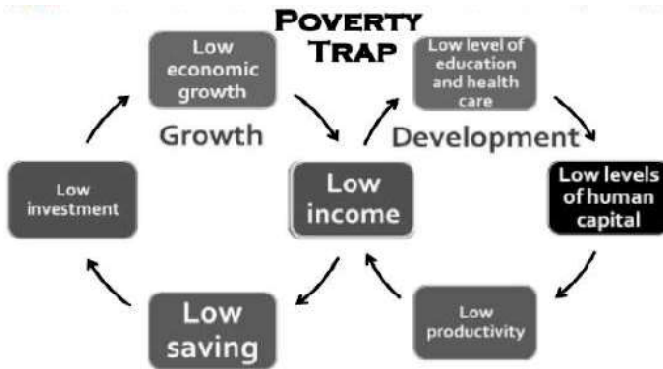
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Economic Development



Economic Development

- Economic development is defined as a sustained improvement in society's material well-being.
- Economic development encompasses a broader range of concepts than economic growth.
- Aside from national income growth, it includes social, cultural, political, and economic changes that contribute to material progress.

Economic Development

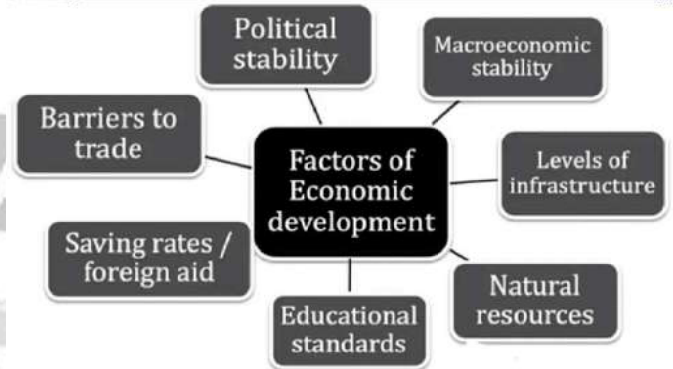
The process in which people in a country become wealthier, healthier, better educated, and have greater access to good quality housing.



Factors Affecting Economic Development

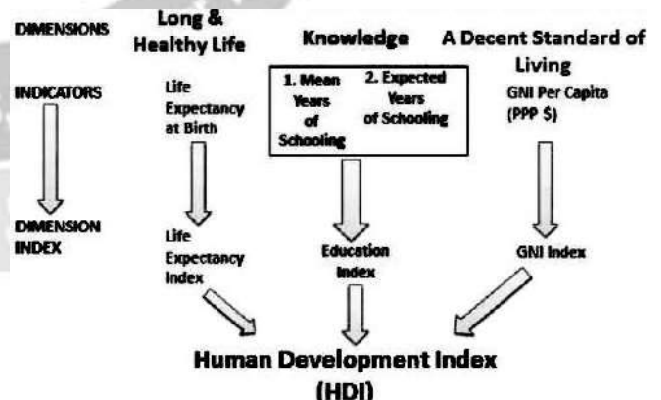
1. Infrastructural Development
2. Education
3. Increase in capital formation
4. National Income and Per Capita Income
5. Purchasing Power Parity (PPP)
6. Green GDP
7. Human Development Index (HDI)
8. Political Stability
9. Macroeconomic Stability (Inflation, Fiscal Policy, Employment Level National Income, Global/ International Trade,)

10. Natural Resources
11. Saving Rate / Foreign Investment
12. Trade Barriers



Measures of Economic Development

1. Human Development Index
2. Planetary Pressure Adjusted Index (PHDI)
3. Gender Development Index
4. Gender Empowerment Measure (GEM)
5. Gender Inequality Index
6. Inequality Adjusted HDI
7. Multi-Dimensional Poverty Index (MPI)
8. Physical Quality of Life Index (PQLI)
9. Global National Happiness Index (GNH)



- The Human Development Index (HDI) measures the level and changes in quality of life
- Mahbub ul Haq and Amartya Sen, two renowned economists from Pakistan and India
- Introduced by UNDP in 1990 and has been released annually ever since, except in 2012.
- HDI value ranges from 0.000 to 1.000

- (a) 0.000 - 0.4999 (Low HDI)
- (b) 0.500 – 0.799 (Medium HDI)

HUMAN DEVELOPMENT REPORT 2021-22

- **India ranks 132 out of 191 countries and 130 in the year 2020, behind Bangladesh (129) and Sri Lanka (73).**
- India's latest **HDI value of 0.633 (132)** places the country in the **medium human development category**, lower than its value of 0.645 (130) in the 2020 report.
- **Life expectancy:** In 2021, India's life expectancy - 69.7 to 67.2 years. (global drop in life expectancy, down from 72.8 years in 2019 to 71.4 years in 2021)
- **Schooling:** Expected years of schooling at 11.9 years down from 12.2 years in the 2020 report, mean years of schooling at 6.7 years from 6.5 years in the 2020 report.
- (The mean years of schooling for females declined from 12.6 to 11.9 years in the corresponding period.)
- **Gross National Income:** The gross national income per capita stood at USD 6,590. Among India's neighbours, **Sri Lanka (73rd), China (79th), Bangladesh (129th), and Bhutan (127th)** are ranked above India, while **Pakistan (161st), Nepal (143rd), and Myanmar (149th)** are worse off. The report said around 90 per cent of countries registered a decline in their HDI value in 2020 or in 2021.

Performers :

- These are Switzerland (1, 0.962), Norway (2, 0.961), Iceland (3, 0.959), Denmark (6, 0.948), Sweden (7, 0.947), Ireland (8, 0.945), Germany (9, 0.942) and Netherlands (10, 0.941).
- The island nation was followed by Sri Lanka (73 and 0.782), China (79 and 0.768), Bhutan (127 and 0.666), Bangladesh (129 and 0.661), India, Nepal (143 and 0.602) and Pakistan (161 and 0.544).

2. Planetary Pressures-Adjusted Human Development Index (PHDI)

Planetary pressures-adjusted Human Development Index (PHDI)				
Country (HDI rank)	India	World	China	Switzerland
PHDI	0.609	0.667	0.648	0.796
PHDI (vs HDI)	Falls by 4%	Falls by 9%	Falls by 16%	Falls by 17%

- The PHDI adjusts the standard HDI by a country's level of **carbon dioxide emissions and material footprint**, each on a **per capita basis**.
- **India's Performance :**
 - ❖ India would move up eight places in the ranking (123rd)
 - ❖ Under the **Paris Agreement**, India pledged to reduce the emission intensity of its GDP from the 2005 level by 33-35% by 2030 and to obtain 40%

of electric power capacity from non- fossil fuel sources by 2030.

- ❖ **Solar capacity in India increased** from 2.6 giga watts in March 2014 to 30 giga watts in July 2019, achieving its target of 20 gigawatts four years ahead of schedule.
- ❖ In 2019, India **ranked fifth for installed solar capacity**.
- ❖ The **National Solar Mission** aims to promote solar energy for power generation and other uses to make solar energy competitive with fossil fuel-based options.

3. Gender Development Index

Gender Development Index				
Country (HDI rank)	India (#132)	World	China (#79)	Switzerland (#1)
GDI	0.849	0.958	0.984	0.967
GNI per capita for women (in 2017 PPP \$)	2,277	12,241	13,980	54,597
GNI per capita for men (in 2017 PPP \$)	10,633	21,210	20,883	79,451

- Introduced in Human Development Report 1995
- The GDI measures gender gaps in human development achievements by accounting **for disparities between women and men in three basic dimensions** of human development—**health, knowledge and living standards** using the same component indicators as in the HDI.
- The closer this ratio is to 1, the smaller the gender gap between women and men in Human Development Index terms.
- India's GDI stands at 0.849 which is significantly behind the world average of 0.958.
- The female life expectancy dropped from 71 years in the 2020 report to 68.8 years in the 2021 report.
- From India's perspective, the key Human Development Index metric where women seem to lag behind men the most is the income per capita.

➤ GDI = Female HDI/Male HDI

4. Gender Empowerment Measure (GEM)

- Introduced in 1995
- Developed by UNDP
- It measures Gender Inequality in Three major dimensions
 - (a) Political Participation and Decision Making
 - (b) Economic Participation and Decision Making
 - (c) Power Over Economic Resources

5. Gender Inequality Index

- The GII is an inequality index **released by UNDP**. It measures gender inequalities in three important aspects of human development—

- ❖ **Reproductive Health** measured by maternal mortality ratio (Number of Maternal Death due to birth or pregnancy per 100000 live births) and adolescent birth rates (The Annual Number of Births to women 15 to 19 years of age per 1000 women) ;
- ❖ **Empowerment** measured by proportion of parliamentary seats occupied by females and proportion of adult females and males aged 25 years and older with at least some secondary education; and
- ❖ **Economic Status** expressed as labour market participation and measured by labour force participation rate of female and male populations aged 15 years and older.

Gender Inequality Index

Country (HDI rank)	India (#132)	World	China (#79)	Switzerland (#1)
Maternal mortality ratio (deaths per 100,000 live births)	122	225	29	5
Adolescent birth rate (births per 1,000 women ages 15-19)	37	43	31	2.2
Share of seats in parliament (% held by women)	33	36	35	40
Female population with at least some secondary education (% ages 25 and older)	43	64	78	97
Labour force participation rate (% ages 15 and older)	39	46	62	62
GII	0.490	0.465	0.192	0.018

Gender Inequality Index - 2021

- ❖ In GII, India is **at the 122nd rank out of 190 countries.**
- ❖ India's GII stands at 0.490 (0.493 in 2020) which is slightly below the world average of 0.465.
- ❖ India's performance is far below than China whose GII value is 0.192.

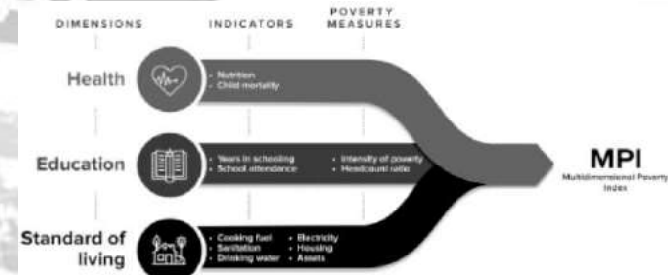
6. Inequality Adjusted HDI

Inequality-adjusted HDI

Country (HDI rank)	India (#132)	World	China (#79)	Switzerland (#1)
What happens to HDI when adjusted for inequality	Falls by 25%	Falls by 19%	Falls by 15%	Falls by 7%
Income share held by poorest 40% of	20%	18%	17%	20%
Income share held by the richest 1%	22%	17%	14%	12%

- Introduced in 2010.
- The IHDI indicates percentage loss in HDI due to inequality.
- If there is no inequality, HDI will be equal to IHDI.
- For **India**, the IHDI value for 2019 is **0.537**.

- The report found that India's Human Development Index falls by 25%, when adjusted for inequality. It is higher than the global average of 19%.
 - That's because the share of income held by the richest 1% of the population is more than the income held by the poorest 40%.
- ### 7. Multi-Dimensional Poverty Index (MPI)
- Introduced in 2010
 - Released by the **United Nations Development Programme (UNDP)** and the **Oxford Poverty & Human Development Initiative (OPHI)**
 - The Index considers data from 109 countries and 5.9 billion people.
 - A person is multidimensionally poor if she/he is deprived in one third or more (means 33% or more) of the weighted indicators (out of the ten indicators). Those who are deprived in one half or more of the weighted indicators are considered living in extreme multidimensional poverty.



Global Multidimensional Poverty Index (MPI) 2022

- 1.2 billion people are multidimensionally poor.
- Nearly half of them live in severe poverty.
- Half of poor people (593 million) are children under age 18
- The number of poor people is highest in Sub Saharan Africa (579 million), followed by South Asia (385 million). The two regions together are home to 83% of poor people.

Global Multidimensional Poverty Index (MPI) and India

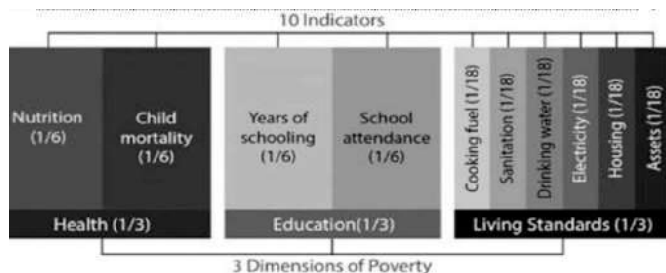
1. India has by far the **largest number of poor people worldwide at 22.8 crore**, followed by **Nigeria at 9.6 crore**.
2. The incidence of **poverty fell from 55.1% in 2005/06 to 16.4% in 2019/21** in the country.
3. As many as **41.5 crore people moved out of poverty in India** during the 15-year period between 2005-06 and 2019-21.
4. **Performance of States:**
 - (a) Bihar, the poorest state in 2015-16, **saw the fastest reduction in MPI value in absolute terms.**
 - (i) The **percentage of poor in Bihar fell from 77.4 % in 2005-06 to 52.4 % in 2015-16** and further to 34.7 % in 2019-21.
 - (b) However, in relative terms, the **poorest states have not quite caught up.**
 - (i) Of the 10 poorest states in 2015/2016, only one (West Bengal) have emerged out of the list in 2019-21.

(ii) The rest (Bihar, Jharkhand, Meghalaya, Madhya Pradesh, Uttar Pradesh, Assam, Odisha, Chhattisgarh and Rajasthan) remain among the 10 poorest.

(c) Across states and union territories in India, **the fastest reduction in relative terms was in Goa, followed by Jammu and Kashmir, Andhra Pradesh, Chhattisgarh and Rajasthan.**

5. Reduction of Poverty Region Wise:

(a) The incidence of **poverty fell from 36.6% in 2015-2016 to 21.2% in 2019-2021** in rural areas and **from 9.0% to 5.5% in urban areas.**



National Multidimensional Poverty Index: NITI Ayog

- 12 Indicators (Health – Antinatal Care and Living Standard – Bank Account)
- Bihar has the highest proportion of people of the state’s population followed by Jharkhand and Uttar Pradesh who are multidimensionally poor.
- Kerala registered the lowest population poverty levels, followed by Puducherry, Lakshadweep, Goa and Sikkim.

8. Physical Quality of Life Index (PQLI)

- The Physical Quality of Life Index (PQLI) was developed for Overseas Development Council in the mid-1970s by Morris David
- The Physical Quality of Life Index measures the quality of life or well-being of a country based on three variables-
 - (a) basic literacy rate
 - (b) infant mortality
 - (c) life expectancy at age one

9. Global National Happiness Index (GNH)

- Gross National Happiness is a term coined by His Majesty the Fourth King of Bhutan, Jigme Singye Wangchuck in the 1970s.
- Gross national happiness (GNH) measures economic and moral progress as an alternative to gross domestic product measurement in Bhutan.
- The concept implies that sustainable development should take a holistic approach towards notions of progress and give equal importance to non-economic aspects of well being.
- In 2012, for the first time World Happiness Report was released by United Nations Sustainable Development Solutions Network based on Gross Happiness Index at global level.

- The report usually ranks 150 countries
- It is based on several factors such as real GDP per capita, social support, healthy life expectancy, freedom to make life choices, generosity and perceptions of corruption.

➤ International Happiness Day – 20th March

10. World Happiness Report 2022

- This year, the report ranked 146 countries.
- India saw a marginal improvement in its ranking, jumping three spots to 136, from 139 a year ago.
- Finland has been named the world’s happiest country for the fifth year running followed by Denmark.
- Afghanistan was ranked as the unhappiest nation, followed by Lebanon, Zimbabwe, Rwanda and Botswana, respectively

11. Global Gender Gap Index 2022

- **Four Key dimensions**
- Economic Participation and Opportunity
- Educational Attainment
- Health and Survival
- Political Empowerment

The gender score | India ranked 135 in gender parity out of 146 countries, according to the Global Gender Gap Report 2022 released by the World Economic Forum. A look at India’s ranking in the four sub-indexes based on which the overall ranking was determined

India	Rank 2022*
Global gender gap index	135
Economic participation and opportunity	143
Educational attainment	107
Health and survival	146
Political empowerment	48



*out of 146 countries

- **World Economic Forum (WEF) ranked India at 135 out of 146 countries in its Global Gender Gap (GGG) Index for 2022.**
- India’s overall score has improved from **0.625 (in 2021) to 0.629**, which is its **seventh-highest score in the last 16 years.**
- ❖ **In 2021**, India was ranked 140 out of 156 countries.
- The **gender gap** is the difference between women and men as reflected in social, political, intellectual, cultural, or economic attainments or attitudes.

Index/sub-index	INDIA’S RANK			
	2022 (146 countries)		2021 (156 countries)	
	Rank	Score	Rank	Score
Global Gender Gap Index	135	0.629	140	0.625
Political empowerment	48	0.267	51	0.276
Economic participation	143	0.50	151	0.26
Educational attainment	107	0.96	114	0.962
Health and survival	146	0.937	155	0.937

Objective Question

- Which of the following is included in compensation of employees?**
 - Deamess Allowance
 - Tools given to employees to be used during work
 - Payment by insurance company to an injured employee
 - Contribution by employee to provident fund
- GDP, MP = Rs. 1,000 and Subsidies = Rs. 50, then GDP_{FC} will be:**
 - 1,050
 - 950
 - 1,000
 - 900
- Which of the following is not a part of profits?**
 - Corporate Tax
 - Dividends
 - Retained Earnings
 - Royalty
- "Income method" is also known as:**
 - Distributive share method
 - Income Disposal method
 - Industrial Origin Method
 - None of these
- Which of the following is a synonym of "Undistributed Profits"?**
 - Savings of private corporate sector
 - Reserves and Surplus
 - Retained Earnings
 - All of these
- The value of intermediate consumption will be exports are of 600 and imports are of Rs. 200.**
 - 1,200
 - 800
 - 1,800
 - 1,400
- Which one is included in National Income?**
 - Winning from Lottery
 - Milk purchase by a dairy shop
 - National Debt Interest
 - None of these
- 'Gross Investment' is also known as: (i) Gross Domestic Capital Formation, (ii) Gross Capital For, (iii) Gross Fixed Capital Formation, (iv) Gross Domestic Fixed Capital Formation.**
 - Both (i) and (ii)
 - (i)
 - (ii)
 - (i), (ii) and (iv)
- Which of the following method can be used to calculate National Income?**
 - Income Method
 - Expenditure Method
 - Value Added Method
 - All of the above
- 'Commodity Service method' is another name for:**
 - Expenditure method
 - Income method
 - Value-added method
 - None of these
- 'Distributed Profits' is also known as:**
 - Corporate Tax
 - Dividend
 - Retained Earnings
 - None of these
- If a farmer sells wheat to miller for 500 and miller sells flour to baker for 700 and baker sells brea to consumers for 1,000, then total value added by 'miller' and baker' is:**
 - 500
 - 300
 - 1,700
 - 1,200
- Which of the following is a part of Expenditure Method?**
 - Rent and Royalty
 - Mixed Income
 - Net Exports
 - Sales
- If $NDP_{FC} = Rs. 1,500$ and Net Factor Income to Abroad = Rs. 500, then NNP_{FC} will be :**
 - 2,000
 - 1,500
 - 1,000
 - 2,500
- Net Exports is calculated as:**
 - Exports + Imports
 - Exports-Imports
 - Imports - Exports
 - None of these
- Which of the following is included in domestic income?**
 - Factor Income from abroad
 - Windfall gains
 - Capital Gains
 - Bonus to employees
- Which of the following is not included in compensation of employees?**
 - Wages and salaries in cash
 - Wages and salaries in kind
 - Employees' contribution to social security schemes
 - Employers' contribution to social security schemes
- When the entire output is sold in an accounting year, then value of output is equal to:**
 - Sales + Change in stock
 - Sales
 - Sales - Change in stock
 - None of these
- "Operating Surplus" refers to:**
 - Income from property
 - Income from property and entrepreneurship
 - Income from entrepreneurship
 - None of these
- According to income method, domestic income is equal to:**
 - Rent and royalty + Interest + Profit + Compensation of employees + Mixed Income
 - Operating Surplus + Compensation of employees + Income of self-employed
 - Both (a) and (b)
 - Neither (a) nor (b)

