EXERCISES

1. Why were reforms introduced in India?
2. Why is it necessary to became a member of WTO?
3. Why did RBI have to change its role from controller to facilitator of financial sector in India?
4. How is RBI controlling the commercial banks?
5. What do you understand by devaluation of rupee?
6. Distinguish between the following
   (i) Strategic and Minority sale
   (ii) Bilateral and Multi-lateral trade
   (iii) Tariff and Non-tariff barriers.
7. Why are tariffs imposed?
8. What is the meaning of quantitative restrictions?
9. Those public sector undertakings which are making profits should be privatised. Do you agree with this view? Why?
10. Do you think outsourcing is good for India? Why are developed countries opposing it?
11. India has certain advantages which makes it a favourite outsourcing destination. What are these advantages?
12. Do you think the *navaratna* policy of the government helps in improving the performance of public sector undertakings in India? How?
13. What are the major factors responsible for the high growth of the service sector?
14. Agriculture sector appears to be adversely affected by the reform process. Why?
15. Why has the industrial sector performed poorly in the reform period?
16. Discuss economic reforms in India in the light of social justice and welfare.

1. Define a plan.
2. Why did India opt for planning?
3. Why should plans have goals?
4. What are High Yielding Variety (HYV) seeds?
5. What is marketable surplus?
6. Explain the need and type of land reforms implemented in the agriculture sector.
7. What is Green Revolution? Why was it implemented and how did it benefit the farmers? Explain in brief.
8. Explain 'growth with equity' as a planning objective.
9. Does modernisation as a planning objective create contradiction in the light of employment generation? Explain.
10. Why was it necessary for a developing country like India to follow self-reliance as a planning objective?
11. What is sectoral composition of an economy? Is it necessary that the service sector should contribute maximum to GDP of an economy? Comment.
12. Why was public sector given a leading role in industrial development during the planning period?
13. Explain the statement that green revolution enabled the government to procure sufficient food grains to build its stocks that could be used during times of shortage.
14. While subsidies encourage farmers to use new technology, they are a huge burden on government finances. Discuss the usefulness of subsidies in the light of this fact.
15. Why, despite the implementation of green revolution, 65 per cent of our population continued to be engaged in the agriculture sector till 1990?
16. Though public sector is very essential for industries, many public sector undertakings incur huge losses and are a drain on the economy's resources. Discuss the usefulness of public sector undertakings in the light of this fact.

Example 2

Calculate value added by firm X from the following data:

	Particulars	*₹ (lakhs)*
(*i*)	Sales	600
(*ii*)	Purchase of raw materials	200
(*iii*)	Import of raw materials	100
(*iv*)	Import of machines	200
(*v*)	Closing stock	40
(*vi*)	Opening stock	10

From the following data, find out:

(*a*) Value of output at market prices;

(*b*) Gross value added at market prices;

(*c*) Net value added at market prices;

(*d*) Net value added at factor cost.

	Particulars	₹ *(crores)*
(i)	Sales	800
(ii)	Change in stocks	100
(iii)	Purchase of intermediate inputs	200
(iv)	Consumption of fixed capital	50
(v)	Indirect taxes	75
(vi)	Subsidies	25

From the following data, find out:

(*i*) Value of output at market prices;

(*ii*) Gross value added at market prices;

(*iii*) Net value added at market prices;

(*iv*) Net value added at factor cost.

	Particulars	₹ *(crores)*
(*i*)	Opening stock	400
(*ii*)	Closing stock	200
(*iii*)	Purchase of raw material	300
(*iv*)	Sales	1,600
(*v*)	Consumption of fixed capital	200
(*vi*)	Indirect taxes	150
(*vii*)	Subsidies	50

Value Added Method

1. In the following imaginary economy, no other transactions take place, except the transactions given below. The final sales are only for private consumption. Find out the value added by the industry of origin and value of domestic product.

(*i*) (*a*) Industry A sells raw materials worth ₹ 200 to industry B;

(*b*) Industry B sells the processed goods to industry C for ₹ 300;

(*c*) Industry C sells the goods for ₹ 400 for private consumption.

(ii) (a) Firm A sells intermediate inputs for ₹ 400 to B;
(b) Firm B sells the manufactured goods for ₹ 400 to firm C, and for ₹ 200 to firm D;
(c) Firm C sells its goods to D for ₹ 500;
(d) Firm D sells the goods for private consumption for ₹ 850.

(iii) (a) Industry A sells for ₹ 600 its semi-finished goods to industry B and for ₹ 400 to industry C;
(b) Industry B sells the finished goods for ₹ 500 for private consumption and for ₹ 300 to industry C;
(c) Industry C sells goods for ₹ 800 for private consumption.

(iv) (a) Industry A sells its goods to B for ₹ 800 and for private consumption for ₹ 400;
(b) Industry B re-sells the goods for ₹ 1000 to industry C;
(c) Industry C sells its goods for private consumption for ₹ 1,150.

11. From the following data, calculate the value added by Firm A and Firm B:

	Particulars	₹ (lakhs)
(i)	Purchase by Firm A from the rest of the world	40
(ii)	Sales by Firm B	150
(iii)	Purchase by Firm A from Firm B	70
(iv)	Sales by Firm A	160
(v)	Exports by Firm A	40
(vi)	Opening stock of Firm A	45
(vii)	Closing stock of Firm A	20
(viii)	Opening stock of Firm B	40
(ix)	Closing stock of Firm B	30
(x)	Purchases by Firm B from Firm A	60

3. From the following data, calculate Net value added at factor cost.

	Particulars	₹ *(crores)*
(i)	Total Sales	10,000
(ii)	Decrease in Stock	700
(iii)	Production for Self Consumption	1,200
(iv)	Purchase of raw materials	3,000
(v)	Exports	1,500
(vi)	Electricity Charges	500
(vii)	Income Tax	200
(viii)	Excise Duty	700
(ix)	Subsidy	400

From the following data, calculate: (a) Value of output (b) Intermediate Consumption (c) Net value added at factor cost.

	Particulars	₹ (crores)
(i)	Purchase of raw materials from domestic market	4,000
(ii)	Increase in the unsold stock	600
(iii)	Import of raw material	1,200
(iv)	Domestic Sales	12,000
(v)	Replacement of Fixed Capital	500
(vi)	Power Charges	200
(vii)	Exports	2,000
(viii)	Import of Machinery	400
(ix)	Value Added Tax or VAT	100
(x)	Subsidy	300
(xi)	Goods used for self Consumption	100

5. Study the following data:

	Particulars	₹ *(crores)*
(*i*)	Value of output of	
	(*a*) Primary sector	8,000
	(*b*) Secondary sector	2,000
	(*c*) Tertiary sector	3,000
(*ii*)	Value of intermediate input purchased by	
	(*a*) Primary sector	4,000
	(*b*) Secondary sector	1,000
	(*c*) Tertiary sector	500
(*iii*)	Indirect taxes paid by all sectors	500
(*iv*)	Consumption of fixed capital	800
(*v*)	Factor income received by the residents from the rest of the world	100
(*vi*)	Factor income paid to non-residents	200
(*vii*)	Subsidies received by all sectors	200

Calculate gross value added at market prices by the Primary, Secondary and Tertiary sectors.
Calculate national income from the above data.

Calculate National Income from the following data:

	Particulars	₹ *(crores)*
(*i*)	Mixed income of the self-employed	2,000
(*ii*)	Old age pension	200
(*iii*)	Dividends	1,000
(*iv*)	Operating surplus	7,000
(*v*)	Wages and salaries	3,000
(*vi*)	Profit	4,000
(*vii*)	Employer's contribution to social security scheme	500
(*viii*)	Net factor income from abroad	(–) 100
(*ix*)	Consumption of fixed capital	500
(*x*)	Net direct taxes	500

8. Given the following data, calculate Net Domestic Product at Factor Cost or Domestic Income:

	Particulars	₹ *(crores)*
(*i*)	Wages	10,000
(*ii*)	Rent	5,000
(*iii*)	Interest	400
(*iv*)	Dividends	3,000
(*v*)	Mixed income of self-employed	400
(*vi*)	Undistributed profit	200
(*vii*)	Contribution to social security	400
(*viii*)	Corporation profit tax	400

14. Calculate National Income by income method from the following data:

	Particulars	₹ *(crores)*
(*i*)	Rent	50,000
(*ii*)	Wages	3,00,000
(*iii*)	Interest	80,000
(*iv*)	Mixed income	40,000
(*v*)	Undistributed profit	30,000
(*vi*)	Profit tax	20,000
(*vii*)	Dividend	1,20,00
(*viii*)	Net interest income from abroad	70,000
(*ix*)	Transfers from abroad	25,000

Calculate GNP at MP by Expenditure Method.

	Particulars	₹ (*crores*)
(*i*)	Net exports	100
(*ii*)	Rent	200
(*iii*)	Private final consumption expenditure	4,000
(*iv*)	Corporate tax	100
(*v*)	Government final consumption expenditure	1,000
(*vi*)	Net domestic capital formation	500
(*vii*)	Consumption of fixed capital	100
(*viii*)	Net factor income from abroad	(–) 100

On the basis of information given below, estimate: (*a*) GNP at Market Price and (*b*) GDP at market price.

	Particulars	₹ (crores)
(*i*)	Personal Final consumption expenditure	5,00,000
(*ii*)	Government final consumption expenditure	50,000
(*iii*)	Gross domestic fixed capital formation	45,000
(*iv*)	Increase in inventories	5,000
(*v*)	Export of goods and services	8,000
(*vi*)	Import of goods and services	6,000
(*vii*)	Depreciation	6,000
(*viii*)	Net indirect taxes	20,000
(*ix*)	Net factor income from the rest of the world	5,000

From the information given below, calculate Net Domestic Product at factor cost:

	Particulars	₹ (crores)
(*i*)	Private final consumption expenditure	2,980
(*ii*)	Government final consumption expenditure	360
(*iii*)	Gross domestic fixed capital formation	620
(*iv*)	Export of goods and services	200
(*v*)	Imports of goods and services	220
(*vi*)	Net addition to stock of goods	200
(*vii*)	Net indirect taxes	350
(*viii*)	Consumption of fixed capital	220

Calculate Gross Domestic product at Market Price through the income method and expenditure method on the basis of following data:

	Particulars	₹ (crores)
(i)	Compensation of employees	4,900
(ii)	Private final consumption	10,200
(iii)	Net factor income from the rest of the world	(–)100
(iv)	Net fixed capital formation	1,800
(v)	Consumption of fixed capital	800
(vi)	Indirect taxes	1,800
(vii)	Government current transfers to households	200
(viii)	Change in stocks	600
(ix)	Mixed income of self-employed	5,600
(x)	Government final consumption expenditure	1,500
(xi)	Subsidies	200
(xii)	Exports	1,000
(xiii)	Imports	1,100
(xiv)	Rent, interest and profits	1,900

From the following data, calculate 'national income' by:

(a) Income Method and (b) Expenditure Method

	Particulars	₹ (*crores*)
(*i*)	Net domestic capital formation	3,600
(*ii*)	Interest	2,000
(*iii*)	Rent	3,000
(*iv*)	Private final consumption expenditure	13,000
(*v*)	Government final consumption expenditure	7,300
(*vi*)	Net exports	(–) 200
(*vii*)	Net indirect taxes	700
(*viii*)	Net current transfers from the rest of the world	800
(*ix*)	Consumption of fixed capital	600
(*x*)	Net factor income from abroad	(–) 500
(*xi*)	Profits	6,000
(*xii*)	Compensation of employees	12,000

Calculate National Income by (*a*) Income Method and (*b*) by Output Method

	Particulars	₹ (*crores*)
(*i*)	Value of output of primary sector	10,000
(*ii*)	Value of output of other sectors	4,000
(*iii*)	Raw materials purchased by the primary sector	5,000
(*iv*)	Raw materials purchased by the other sector	3,000
(*v*)	Factor income received from the rest of the world	100
(*vi*)	Factor income paid to the rest of the world	150
(*vii*)	Depreciation	550
(*viii*)	Indirect taxes	1,000
(*ix*)	Subsidies	200
(*x*)	Mixed income of the self-employed	2,000
(*xi*)	Compensation of employees	1,700
(*xii*)	Rent	400
(*xiii*)	Interest	300
(*xiv*)	Profits	250

From the following data, calculate (*a*) Domestic Income; and (*b*) Compensation of employees.

	Particulars	₹ *(crores)*
(*i*)	Net factor income from abroad	(–)200
(*ii*)	Net exports	100
(*iii*)	Net indirect taxes	500
(*iv*)	Rent and royalty	200
(*v*)	Consumption of fixed capital	100
(*vi*)	Private final consumption expenditure	4,000
(*vii*)	Corporate tax	100
(*viii*)	Interest	300
(*ix*)	Net domestic capital formation	500
(*x*)	Dividends	220
(*xi*)	Government final consumption expenditure	1000
(*xii*)	Undistributed profits	50
(*xiii*)	Mixed Income	230

From the following data, calculate National Income by Income and Expenditure method.

	Particulars	₹ (crores)
(i)	Salaries and wages in cash	19,970
(ii)	Transfer payment by government	250
(iii)	Rent	1,320
(iv)	Indirect taxes	2,000
(v)	Subsidies	890
(vi)	Compensation of workers in kind	950
(vii)	Depreciation	810
(viii)	Net increase in factor income from rest of the world	520
(ix)	Interest	920
(x)	Government expenditure on goods and services	5,740
(xi)	Personal consumption expenditure on goods and services	18,050
(xii)	Corporate profit tax	100
(xiii)	Income of the self employed	2,640
(xiv)	Undistributed corporate profit	260
(xv)	Dividends	2,010

	Particulars	₹ (*crores*)
(*xvi*)	Export of goods and services	9,000
(*xvii*)	Addition to stock	70
(*xviii*)	Social security contributions by employer	540
(*xix*)	Import of goods and services	3,230
(*xx*)	Gross fixed investment	1,000