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B.A. Economics
Sem- 3
Paper - MJC 3
Topic- National Income Accounting

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Introduction :

National income accounting is a government bookkeeping system that measures a country's economic activity—offering insight into how an economy is performing.

Such a system will include total revenues by domestic corporations, wages paid, and sales and income tax data for companies.

National income accounting systems allow countries to assess the current standard of living or the distribution of income within a population, as well as assess the effects of various economic policies.

However, the accuracy of analysis relating to national income accounting is only as accurate as the data collected.

Some of the metrics calculated by using national income accounting include the gross domestic product (GDP), gross national product (GNP), and gross national income (GNI), net national Income (NNP), net domestic product (NDP). The GDP is widely used for economic analysis on the domestic level and represents the total market value of the goods and services produced within a specific nation over a selected period of time.

Gross domestic Product :

- Monetary value of all the goods and services produced in an economy in an accounting year.

- GDP provides an economic snapshot of a country, used to estimate the size of an economy and growth rate.
- GDP can be calculated in three ways, using **expenditures**, **production**, or **incomes**. It can be adjusted for inflation and population to provide deeper insights.

In addition, there are several popular variations of GDP measurements which can be useful for different purposes:

Nominal GDP: GDP evaluated at current market prices, in either the local currency or in U.S. dollars at currency market exchange rates in order to compare countries' GDP in purely financial terms.

GDP, Purchasing Power Parity (PPP): GDP measured in "international dollars" using the method of Purchasing Power Parity (PPP), which adjusts for differences in local prices and costs of living in order to make cross-country comparisons of real output, real income, and living standards.

Real GDP: Real GDP is an inflation-adjusted measure that reflects the quantity of goods and services produced by an economy in a given year, with prices held constant from year to year in order to separate out the impact of inflation or deflation from the trend in output over time.

GDP Growth Rate: The GDP growth rate compares one year (or quarter) of a country's GDP to the previous year (or quarter) in order to measure how fast an economy is growing. Usually expressed as a percent rate, this measure is popular for economic policy makers because GDP growth is thought to be closely connected to key policy targets such as inflation and unemployment rates.

GDP Per Capita: GDP per capita is a measurement of the GDP per person in a country's population. It indicates the amount of output or income per person in an economy can indicate average productivity or average living standards. GDP per capita can be stated in nominal, real (inflation adjusted), or PPP terms

Gross National Product:

Gross National Product (GNP) is Gross Domestic Product (GDP) plus net factor income from abroad.

Gross National Income:

GNI is the total amount of money earned by a nation's people and businesses. It is used to measure and track a nation's wealth from year to year. The number includes the nation's gross domestic product plus the income it receives from overseas sources.

GNI is an alternative to gross domestic product (GDP) as a means of measuring and tracking a nation's wealth and is considered a more accurate indicator for some nations.

GDP Gross Domestic Product	GNP Gross National Product	GNI Gross National Income
Value of national output produced in a country. - National income - National output - National expenditure	$GNP = GDP + \text{net property income from abroad.}$	Similar to GNP - Sum value of output by resident producers + net receipts of primary income from abroad + any product taxes (less subsidies) not included in the valuation of output.
Includes income of foreign multinationals	Excludes income earned by multinational when profit is sent back to other country	A country which earns positive net income on FDI will include in GNI, but not GDP