

Focus spot : 1

What?

Difference between Domestic income and National income and their calculations

Why?

Students get confused in the calculation of national income as they are not able to differentiate between domestic and national income.

Impact :

Concepts of factor income, normal residents and domestic territory might not be clear to all the students which lead to such confusion.

Answer : They are made to understand

1. Domestic income (NDPFC) – It is the sum total of factor incomes generated within domestic territory of a country, no matter who generates this income---Resident or non residents and It does not include Net factor income from abroad.
2. Notional income (NNPFC) – It is the sum total of factor incomes accruing to normal residents of a country no matter where this income is generated—within the domestic territory or in the rest of the world and it include Net factor income from abroad.

Focus spot : 2

What?

How do you distinguish between old age pensions and retirement pensions while calculating national income.

Why?

Students often get confused between the items that should be included in estimation of national income. One of the most critical points include old age pension and retirement pension.

Impact :

Students are explained the meaning of transfer payments and their concepts are made clear.

Answer : Old age pensions are unilateral payments or transfer payments. These are not included in the estimation of national income. Whereas retirement pensions are likely a deferred wage. These are related to factor services rendered by the recipients prior to their retirement. Accordingly, these are included in the national income.