



MACROECONOMICS · CHAPTER 2

National Income Accounting

A 1-page guide for parents · 90-second read.

EXPECTED MARKS

12 marks

TIME TO MASTER

12-15 hrs

HELPLINE

70330 05444**WHAT THIS CHAPTER IS, IN PLAIN ENGLISH**

Your child is learning how India's economy is MEASURED. The government's Central Statistical Organisation (CSO) publishes a single number every quarter and year called Gross Domestic Product or GDP — the total value of all final goods and services produced in India during that period. Your child must master five things: (1) what GDP and its variants mean (GNP, NDP, NNP, at Market Price vs Factor Cost), (2) three different ways to calculate the same number (the value-added, income, and expenditure methods), (3) how to convert between these aggregates using depreciation, net indirect taxes, and net factor income from abroad, (4) the difference between Real GDP (price-adjusted) and Nominal GDP, (5) what GDP does NOT tell us about welfare — pollution, inequality, leisure, and household work are missing from it.

5 QUESTIONS TO ASK YOUR CHILD

- What is the difference between GDP at Market Price and GDP at Factor Cost? Which one is bigger and why?
- Without looking — state the Expenditure Method formula. What do C, I, G, X, and M stand for?
- Should we include a pension paid by the government in National Income? Why or why not?
- What is the GDP Deflator and why does it matter for comparing GDP between years?
- Name three limitations of GDP as a measure of national welfare.

WEAK-SPOT INDICATORS

- Cannot reproduce the $C + I + G + (X - M) + NFIA - \text{Depreciation} - \text{NIT}$ formula without notes.
- Confuses transfer payments with factor incomes (e.g. includes pensions in NI).
- Treats NFIA as always positive — does not recognise India's negative NFIA in most years.
- Uses current-year prices for Real GDP (it should be base-year prices).
- Cannot solve a 6-mark numerical question by either method in under 10 minutes.

WHEN TO WORRY — AND WHAT TO DO

If after 1 week of practice your child still scores below 60% on the Chapter CBT at readyforboards.com, book a 30-minute doubt-clearing call with our faculty: +91 70330 05444. This chapter is the highest-marks single chapter in the Class 12 Macroeconomics paper — gaps here cascade into every later chapter (Money & Banking, Government Budget, Open Economy).

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