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Class XIIth
MACRO ECONOMICS

ch-2

Basic Concepts of
MACRO ECONOMICS

TOPIC:-

(1.) Domestic Territory

↳ (1) It means
of country

political frontier

(2) But it is Basically Economic
Concept wider than political
frontier.

It includes

(1) Ships, aircraft
by normal Resident
b/w 2 countries

(2) fishing vessels,
oil & natural gas
and floating
platform on
International
waters

(3) Embassies,
~~air and~~
~~network~~
consulates
and
military
located
abroad

Does Not include

Other Country
Embassy, consulates
etc

WHO
UNO etc

Alutshell Domestic territory is the geographical territory control by government within which persons, goods circulate freely.

(2) **Normal Resident**

- (1) Person who resides within D.T
- (2) Person carries out Economic ~~econ~~ activities earnings, spending in that country

Does NOT include in Normal Residents

- ① Foreign Tourists
- ② staff of Embassies, diplomats etc
- ③ UNO, WHO etc
- ④ employee working in
- ⑤ crew members, commercial vessels (less than 1 year)
- ⑥ Boarder worker



(3) Citizenship and Residency

(1) Citizenship

(a) legal concept ✓

(b) where the Person born

(c)

(2) Residency

(a) It is economic concept

(b) Centre Interest lies

(c) more than 1 year

(4) Factor Income and Transfer Income

Factor Income

(a) It is received by factor of production by rendering factor services

(b) Rent wages etc

(c) It is earning concept

(d) Included in national income

Transfer income

(1) It is received without rendering any services

(2) It is a Receipt concept

B) Old age pension, unemployment allowances, gifts etc



VIBA
Classes

Part 2

CLASS XIIth
MACRO ECONOMICS
Ch- 2 (Basic
Concepts of macro
Economics)

(5) Final Goods and Intermediate goods

(RM)

FG

(A) Final Goods refers to those goods which either used for

Sugarcane

Sugar

Household

EC

(i) Consumption (milk, Bread etc)

(ii) Capital formation or Investment [machinery]

(B) Intermediate Goods

refers to those Goods which are used for

(1) Resale

(2) further production

Difference b/w final Goods vs Intermediate Goods

Final Goods

① used either for consumption or investment

② included in domestic income & national income

③ They have direct demand

④ crossed the production boundaries

⑤ (a) Milk by household
(b) Computer installed in

Intermediate Goods

① used either for resale or further production

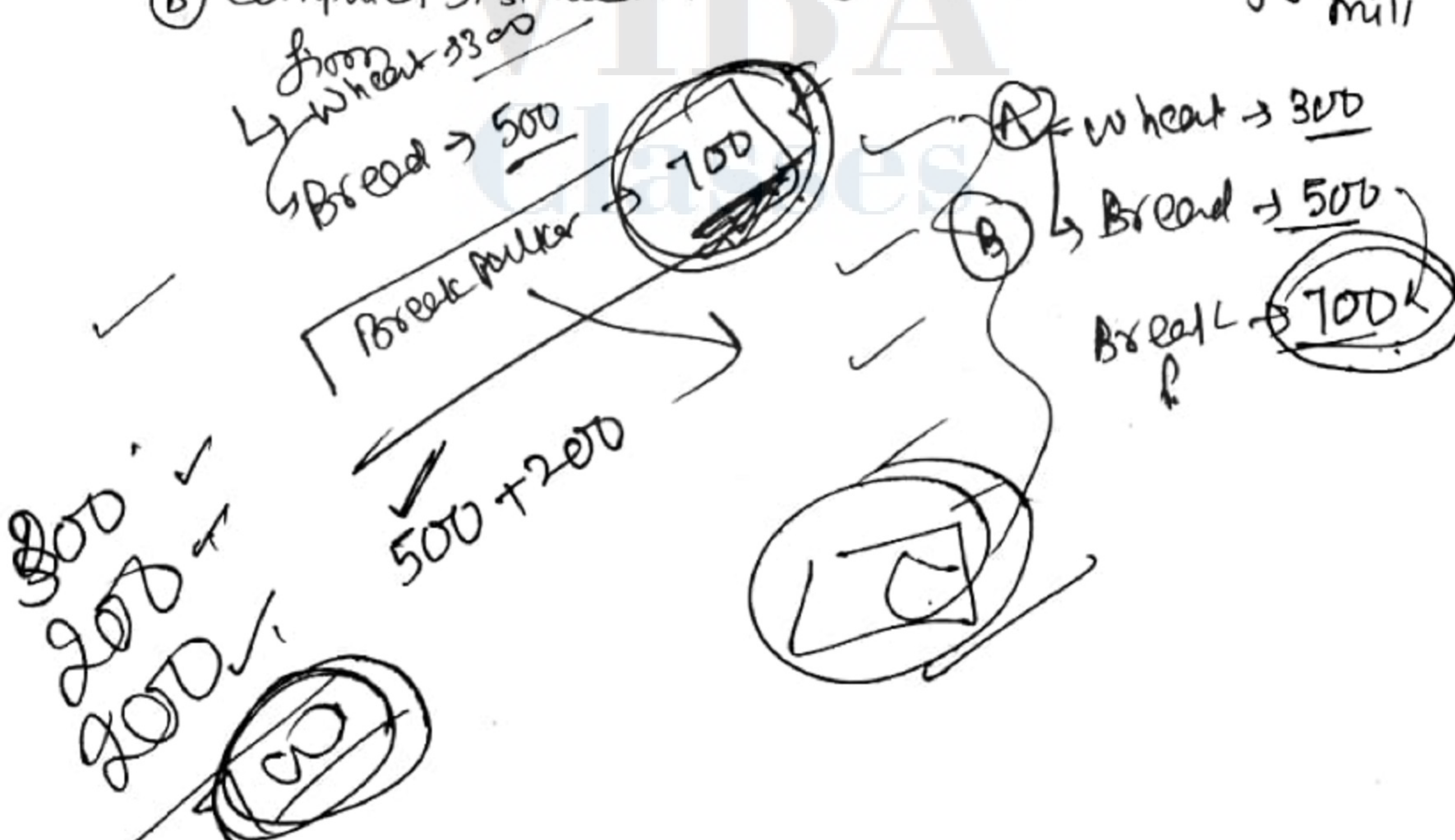
② NOT

③ They have derived demand

④ within

⑤ (a) milk by dairy shop

(b) wheat used by flour mill



(6)

Final goods

Consumption Goods

[They are goods which satisfy wants of consumer]

- Durable Goods
- Semi-Durable Goods
- Non-Durable Goods
- Services

Capital Goods

[which help in production of other goods and services]

- fixed Assets
- used for several years


VIBA
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Intermediate
~~Consumption~~
Goods

Final Goods

Consumption
Goods

Capital
Goods

(1) 
Car

Household

Taxi driver

Car
dealer

2.
cloth

Household

closing
stock
of cloth

- garment
shop

→ X ← X

VIBA
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MACRO ECONOMICS
Chapter - 2
Basic Concepts of
MACRO Economics

(7) Gross Investment
Net Investment



Reasons of Depreciation

- (1) Normal Tear and wear
- (2) Passage of time
- (3) Expected obsolescence

Depreciation

1. Fall in the value of Assets

2. Reasons - Tear and wear, time etc

3. Provision is made

4. It does not hamper the production

Capital loss

1. Loss of value of Assets

2. Reason: - thefts, accidents

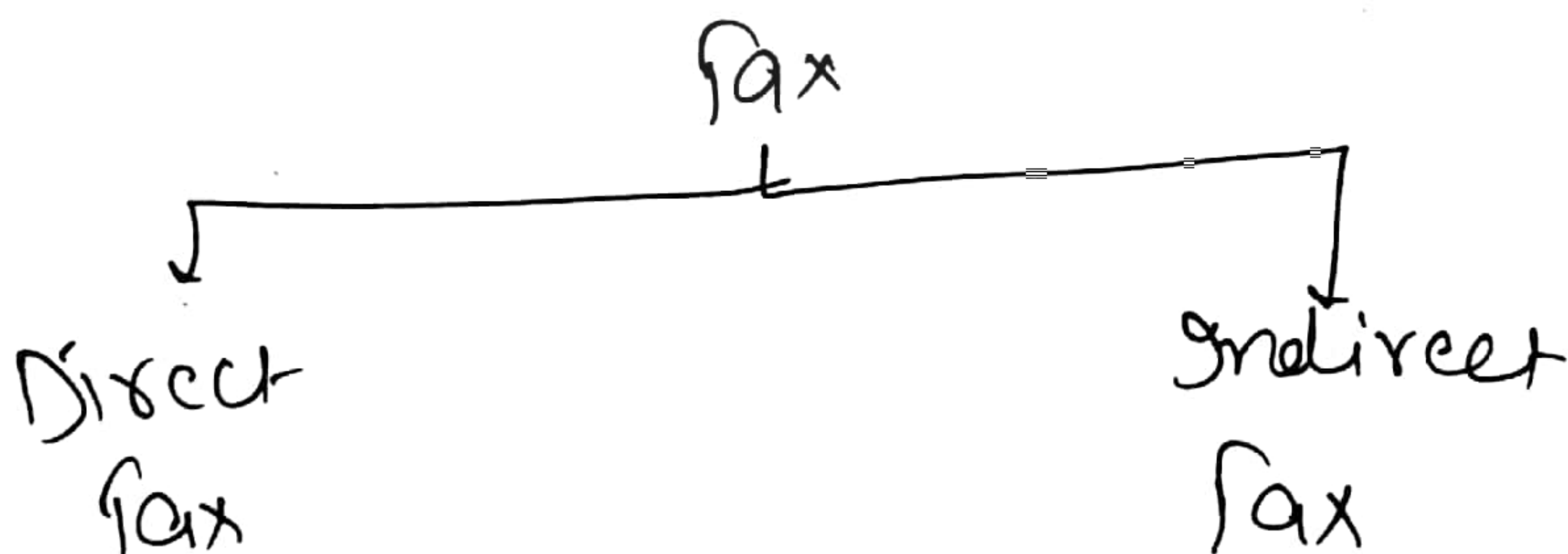
3. No provision

4. It hampers the production process.

8.

Net indirect Tax

Indirect Tax - Subsidies



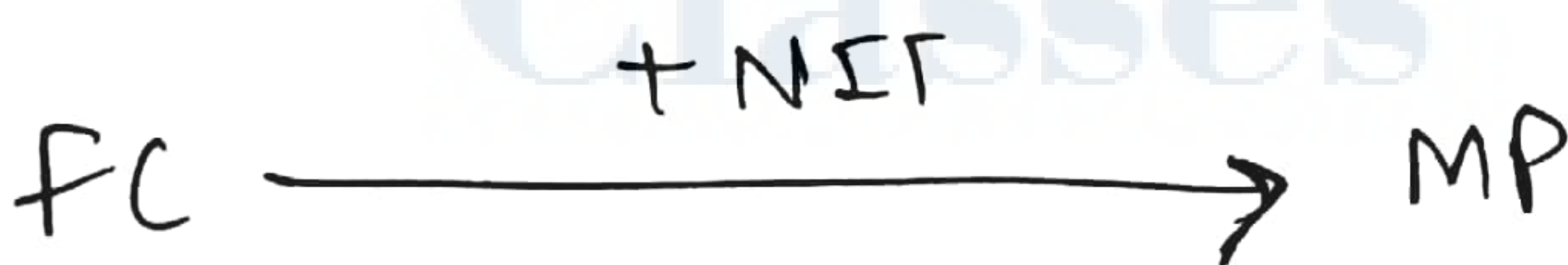
Subsidies :- financial assistance given by government to enterprises.

$$NIT = IT - \text{Subsidy}$$

(9) Factor Cost and market Price

FC \rightarrow Cost of factor of production

MP \rightarrow Price at which product is sold in the market



⑩ Net Factor Income from Abroad

$$NFIA = FIFIA - FITA$$

Components of NFIA

(1) Net Compensation to employees

$$CTEFA - CTETA$$

(2) Net income from property

$$\text{Rent from abroad} - \text{Rent to abroad}$$

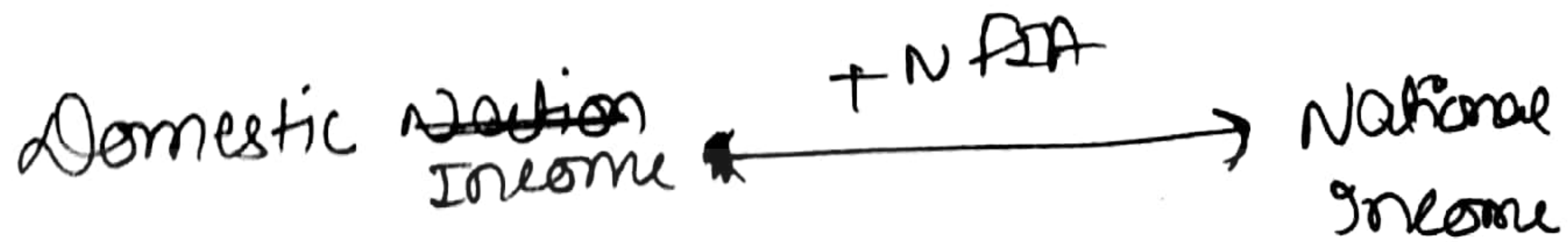
(3) Net income from entrepreneurship

$$\text{Profit from abroad} - \text{Profit to abroad}$$

(4) Net Retained Earning

(1)

Domestic Income and National Income

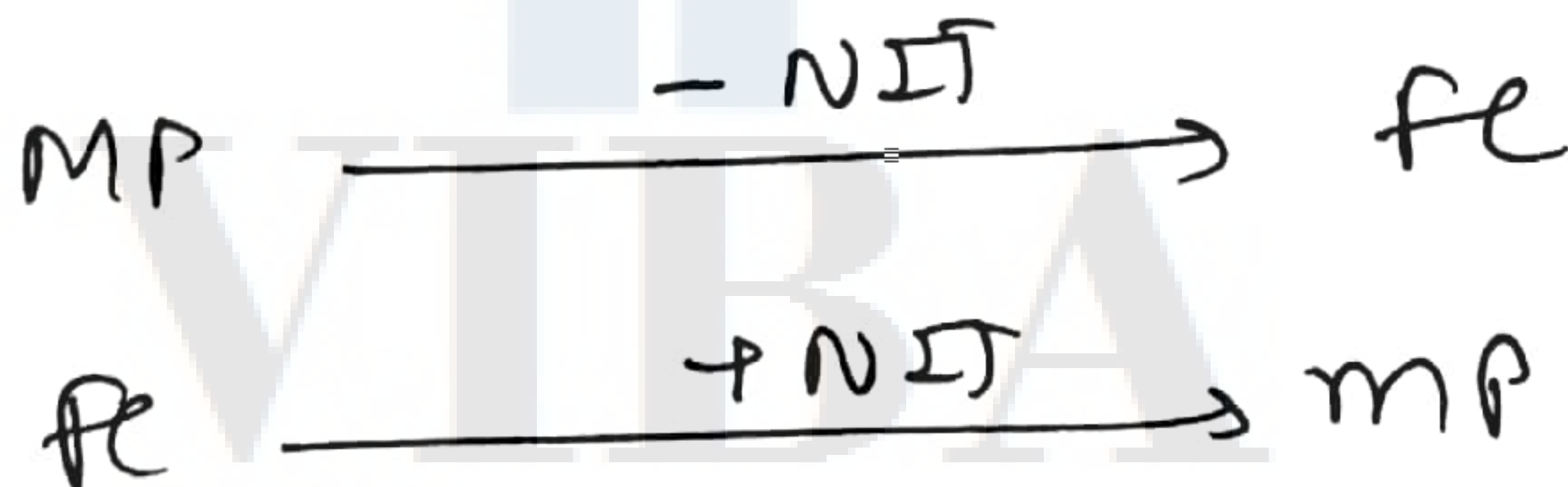


Summary

(1)



(2)



(3)

