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Principles of Economics

Study Question: National Income Accounting

Use some of the data below to calculate GDP, National Income, Disposable Personal Income, and personal savings

Consumption = 1000

Government transfer payments = 100

Indirect business taxes = 20

gross private domestic investment = 150

Exports = 200

government consumption and gross investment = 240

Corporate profits = 25

dividends = 5

Depreciation = 10

Social insurance taxes = 60

Personal income taxes = 150

imports = 260

Personal transfers to foreigners = 25

Net factor payments from abroad = -30

Interest earned from government and consumers = 12

Interest payments to business = 5

$$\text{GDP} = 1000 + 150 + 240 + 200 - 260 = 1330$$

$$\text{NI} = 1330 - 10 - 20 - 30 = 1270$$

$$\text{DI} = 1270 - (25 - 5) - 60 - 150 + 100 + 12 = 1152$$

$$\text{Personal savings} = 1152 - 1000 - 5 - 25 = 122$$

Bonus!

$$\text{Personal savings rate} = 122/1152 = .1059 \text{ (rounded), or } 10.59\%$$

$$\text{Net exports} = 200 - 260 = -60 \text{ (a trade deficit of } 60)$$