



# TAVUA COLLEGE

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## WEEKLY HOME STUDY PACKAGE - WEEK 5 (02/08/21 – 06/08/21)

<b>Subject</b>	<b>ECONOMICS</b>	<b>Year/Level</b>	<b>11</b>
<b>Strand</b>	<b>3 – Macroeconomics</b>		
<b>Sub-strand</b>	<b>National Income</b>		
<b>Content Learning Outcome</b>	✓ <b>Describe each component of National Income</b>		

### LESSON NOTES:

**National Income** – is made up of individual incomes earned in the economy, that is, in the form of dollars that is earned by owners of factors of production.

	<b>Factors of Production</b>	<b>Factor Income</b>
1.	Land	Rent (R)
2.	Labour	Wages and Salaries (W)
3.	Capital	Interest (I)
4.	Entrepreneurship	Profit (P)

**Gross Domestic Product [GDP]** – refers to the total value of goods and services produced in a country in a given period of time.

### COMPONENTS OF NATIONAL INCOME

- ❖  $GDP = C+I+G+[X-M]$
- ❖  $NI = R+W+I+P+ [Indirect Taxes - Subsidies]$

1. **Consumption Expenditure [C]** – money spent by households purchasing goods and services from business firms.
2. **Investment [I]** – money borrowed by business firms from financial institutions.
3. **Government Spending [G]** – money spent by government in purchasing public goods and services.
4. **Exports [X]** – money received for exported goods and services (money flows into Fiji).
5. **Imports [M]** – money spent on imported goods and services from other countries (money flows to other countries).
6. **Net Indirect Taxes** – taxes paid by households less benefits received from government.
7. **Subsidies** – assistance given by the government in money or kinds.

### ACTIVITY

1. Define the following terms:

a. National Income -

\_\_\_\_\_ (1 mark)

b. Gross Domestic Product -

\_\_\_\_\_ (1 mark)

c. Consumption Expenditure -

\_\_\_\_\_ (1 mark)

d. Investment - \_\_\_\_\_ (1 mark)

e. Subsidies \_\_\_\_\_ (1 mark)

2. Identify the components of National Income.

\_\_\_\_\_ (3 ½ marks)

3. Complete the following formula:

a.  $GDP =$  \_\_\_\_\_

b.  $NI =$  \_\_\_\_\_

(2 marks)