# Foundational Economic Statistics

# Module 3 – Concepts and definitions of the System of National Accounts

# Session I

**Exercise 3.1**

1. State whether the following statements are true [T] or false [F].
2. Land is a factor of production.
3. Wages and salaries paid to employees are included in intermediate consumption.
4. *Factor compensations* are the amounts receivable by the factors for participation the in production process.
5. Factors of production are not used up in the production process.
6. *GVA* is the output of a production unit during the accounting period.
7. Only non-factor services used in production process are included in intermediate consumption.
8. *Operating surplus* is the sum of rent, interest and profit.
9. Corporate sector units generate *Mixed income*.
10. Net contribution of a production unit to economy’s production is measured by *NVA*.
11. For all macro-economic aggregates in the SNA, the difference between its ‘gross’ value and ‘net’ value is *CFC*.
12. In a closed economy, value of production = Income generated = Expenditure
13. Salary drawn by a CEO of a company is not included in compensation to employees.
14. CFC represents value of wear and tear of capital goods.
15. The unsold part of goods and services gets reflected in Change in Inventories (CII).
16. PFCE is the combined expenditure of households, NPISHs and the Government.
17. Entrepreneurship is a factor service in the process of production.
18. Natural resources are not used in production process.
19. An unincorporated unit having complete accounts should be included in household sector.
20. Freely available river water for irrigation is included in intermediate consumption of a farmer.
21. There is no CFC of the non-produced assets used for production.
22. Value Added of Rice Production
23. A rice farmer produced paddy worth Rs. 15,000. The farmer owned the land on which paddy was grown and did not employ any hired worker.

The cost incurred by the farmer for paddy cultivation was Rs. 2,000.

What was the (gross) value added of rice cultivation by the farmer?

1. A rice farmer produced paddy worth Rs. 15,000.

The farmer rented the land and had hired workers. The costs incurred by the farmer was

Rent Rs. 2,000.

Wages to hired workers Rs. 1,000.

Other costs Rs. 2,000

Total expenditure Rs. 5,000.

What was the gross value added (GVA) of rice cultivation by the farmer?

1. Value Added of Bread Production

During an accounting period, a bread-making company produced bread using purchased flour. It had hired workers but paid no rent or interest. The following are the income and expenditures (in local currency) incurred by the company:

produced bread worth 25,000

using flour worth 10,000

paid salary of employees 5,000

and spent on electricity, fuel, and other incidentals 5,000.

What is the GVA?

1. Farmer’s production

A rural household produces, on partly owned and partly rented land,

Rice 22,000

Vegetables 7,500

Other cash crops 37,000

Incurring the costs:

Seeds, fertilisers, pesticides 15,000

Hired labour for rice and cash crops 7,500

Fuel, electricity, transportation 6,000

Rent on land paid to owners 4,000

Paid interest to lenders 3,000

Find out the GVO, IC, GVA and MI.

1. Fishermen’s cooperative

An unincorporated fishermen’s cooperative (maintaining an account ) has a harvest of 150000 worth of fish in one accounting year.

The firm incurred expenses on

Purchasing fish seedlings 25,000

Purchasing fish feed 15,000

Rent payment for pond to owners 7,500

Salary/wages payment to employees & labours 20,000

Fuel for energisation of pumps 5,000

Other incidentals 7,000

Find out GVO, IC, GVA, OS of the firm.

1. Manufacturing unit

A steel rolling mill’s gross output is worth 1,000,000 in one accounting year. The plant and machinery were purchased out of institutional credit. CFC is estimated to be 50,000. The mill incurred the following expenses:

Procuring raw materials and other goods 200,000

Payments to employees and labours 50,000

Electricity, fuel & transportation 20,000

Rent paid to landlord for factory workshop 150,000

Interest paid to institutional lenders 125,000

Find out GVO, IC, GVA, GOS, GP and NP.

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