ECONOMICS

ELEMENT OF NATIONAL INCOME

National income is the sum of income earned by all factors of production; land, labour, capital and entrepreneur in a given period of time.

Three Approaches of National Income.

Expenditure approach: It is the total expenses of all economic units within the economy.

Income approach: It is the total income earned by all factors of production

Output approach: This refers to the earning made on all commodities produced in a particular cuontry.

Fundamental National Income Concepts

Gross Domestic Product (GDP): This is estimate value of all commodities produced by people residing in a country at a particular period of time.

Gross National Products (GNP): GNP is the value of all commodities produced by citizens of a country within a particular period of time usually a year.

Net National Product (NNP): This is national income proper. This is derived from the gross national product after provision has been made.

Personal income (PI): National income is greater than the total personal income. Since it does not provide for incomes of factors income that are not received by households such as corporate income and non-profit organisation income.

Disposable income (DI): Disposable income is an income of household unit and private non-profit institutions less Direct taxes and transfer payments made to them.

Ways of Measuring National Income and Their Limitations.

There are three ways of measuring national income they are:

The output method

Expenditure method

Income method.

Limitations of the usefulness of National Income Accounting.

Since countries do not use the same currency nor do the values of their currency at a particular periods remain fixed, it is therefore necessary to change national income or per capital income figures that are being compared into a common currency before comparison can be made.

Types of financial institutions and their functions.

Meaning of Financial Institutions.

Financial Institution or systems refers to organisations arrangements concerned with lending, borrowing and managing money or funds.

Types of financial institutions.

Modern financial institutions and

Traditional financial institutions.

Modern Financial Institutions:

This institution is concerned with the operational activities of Central bank, commercial banks, Merchant banks, Development banks and others.

Traditional Financial Institution.

This refer to institution that exist before the existence of the modern financial institutions example money lending and Esusu.

Functions of Financial Institutions.

Their functions can be divided according to how to perform in both the money market and the capital market.

Functions of Central Bank

Issuance of currency
Banker to the Government.
Banker to Commercial banks.

Functions of Commercial Banks

The safekeeping of customer's money.
The transfer of money
Provision of loans, advances and overdrafts.

MONEY MARKET AND CAPITAL MARKET INSTITUTIONS

Money market is an arrangement for the exchange of short-term securities.

Instruments Employed in the Money Market.

Bill of exchange is a document showing evidence of an outstanding loan between two parties. The date of payment of the amount stated should not exceed 90 days or 3 months.

Call Money funds is an excess cash which commercial banks deposit with the Central Bank or lend to other financial institutions on short-term basis.

Treasury bill: This treasury bill enables the government through the Central bank to borrow money from the money market on short-term basis.

THE CAPITAL MARKET

It is a medium whereby medium-term and long-term loans are sold and bought.

Institutions that participates in Capital markets

a. Central Bank
b. The Securities and Exchange Commission.

STOCK EXCHANGE

Stock Exchange was established in 1960. Presently it has branches in Lagos, Port Harcourt, kaduna, ibadan, and Abuja runs by the Nigerian stock exchange council.

Traditionally we have brokers and the jobers, buyers and the sellers respectively in the stock exchange market. Brokers act as agent for firms or individual buyers or sellers of Securities while jobber's deals in particulart types of shares and the stocks. He is like a Wholesaler in the stock market.

Speculators of Stock Exchange

a. **Bulls**: They buy shares with the expectation of price increase in the future
b. **Bears:** They sell their shares in the hope that prices will fall.
c. **Stags**: Those who purchase newly issued shares hoping to resell them when price rises.

MONEY

Demand for money

The demand for money refers to the desire to hold money; money has a derived demand

Three Reasons behind the Demand for Money by Lord Keynes

The transactional motive: People keep money for day-to-day transaction that is for purchasing their daily requirements such as food, clothing, making payment for taxi fares. The amount of money held depends on one's level of income.

The precautionary motive: People keeps money within them so as to be able to meet up with unforeseen contingencies. Example when someone in the family suddenly fall ill and has to be taken to the hospital.

The speculative motive: The speculative motive for holding money refers to people's desire to hold money for the purpose of taking full advantages of investment opportunities, this is a business motive in which people keep cash balances for the purpose of investing in securities or bonds.

THE SUPPLY OF MONEY.

The supply of money is the total stock of money available for use in the economy the supply of money consists of two major items.
Currently in the form of banknotes and coins circulating outside the banking system.
Bank deposits, current accounts which are withdrawal by cheaque.