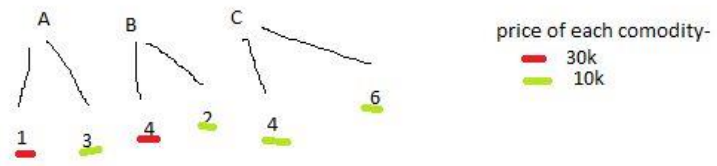
1. Explain in your own words, what did u understand by ‘model’?
2. Set up a hypothetical economy with some sellers and buyers. Trade some hypothetical good with ur chosen price level and explain how the three approaches to calculating GDP are equivalent. Example that was explained in class will be very helpful for this question.
3. Differences between nominal and real GDP

1. In a model we try profit a graph that most appropriately passes through the test cases and try to determine what will be the y value with a given x. if we get a linear shape of model we call it a linear regression. If we get an exponential graph, we call it a polynomial regression.

2.




INCOME-
A=60K
B=140K
C=100K

TOTAL= 300K

EXPENDITURE-
30K+30K+120K+20K+40K+60K=300K

PRODUCT-
5*30K=150K
15*10K=150K
TOTAL= 300K

3.

Nominal GDP is the sum of products valued at market price. Real GDP is the sum of products valued at pre-determined base market price. Real GDP takes inflation into account. The Nominal GDP  is higher than the actual GDP