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Quiz-4

Ans to the Ques No- 1

Expenditure Method:

$$GDP = C + I + G + NX$$

$$= C + I + G + (X - M)$$

$$= \$304 + \$124 + \$156 + \$20$$

$$= \$604$$

Income Method:

In table 1, National Income consists of Interest income, wages, business proffits, rental income. Moreover, GDP doesn't include transfer payment. In this method, GDP = National Income + Adjustment. Adjustment consists of Depreciation and net foreign factor income.

GDP = Interest Income + Depreciation + Wages + Business proffits + Indirect Business Taxes + Rental Income + net foreign factor Income

$$GDP = \$150 + \$36 + \$69 + \$200 + \$74 + \$75 + \$12$$

$$= \$616$$

Ans to the ques no-2

Value Addiction Approach:

GDP = sum of value added of all products

Suppose, farmers are cotton producers:

	Production	Value of Product	Value Added
(1)	Farmer sell cotton to Thread producer by	$200	$200
(2)	Thread Producers sell to Textile mill by	$500	$300
(3)	Textile sell to Garments by	$900	$400
(4)	Garments sell to wholesellers by	$1500	$600
(5)	Wholesellers sell to retail by	$2000	$500
(7)	Retailers sell to final user/ customer	$3000	$1000
	Total (GDP) =		$3000

In valve addition approach, GDP = $3000