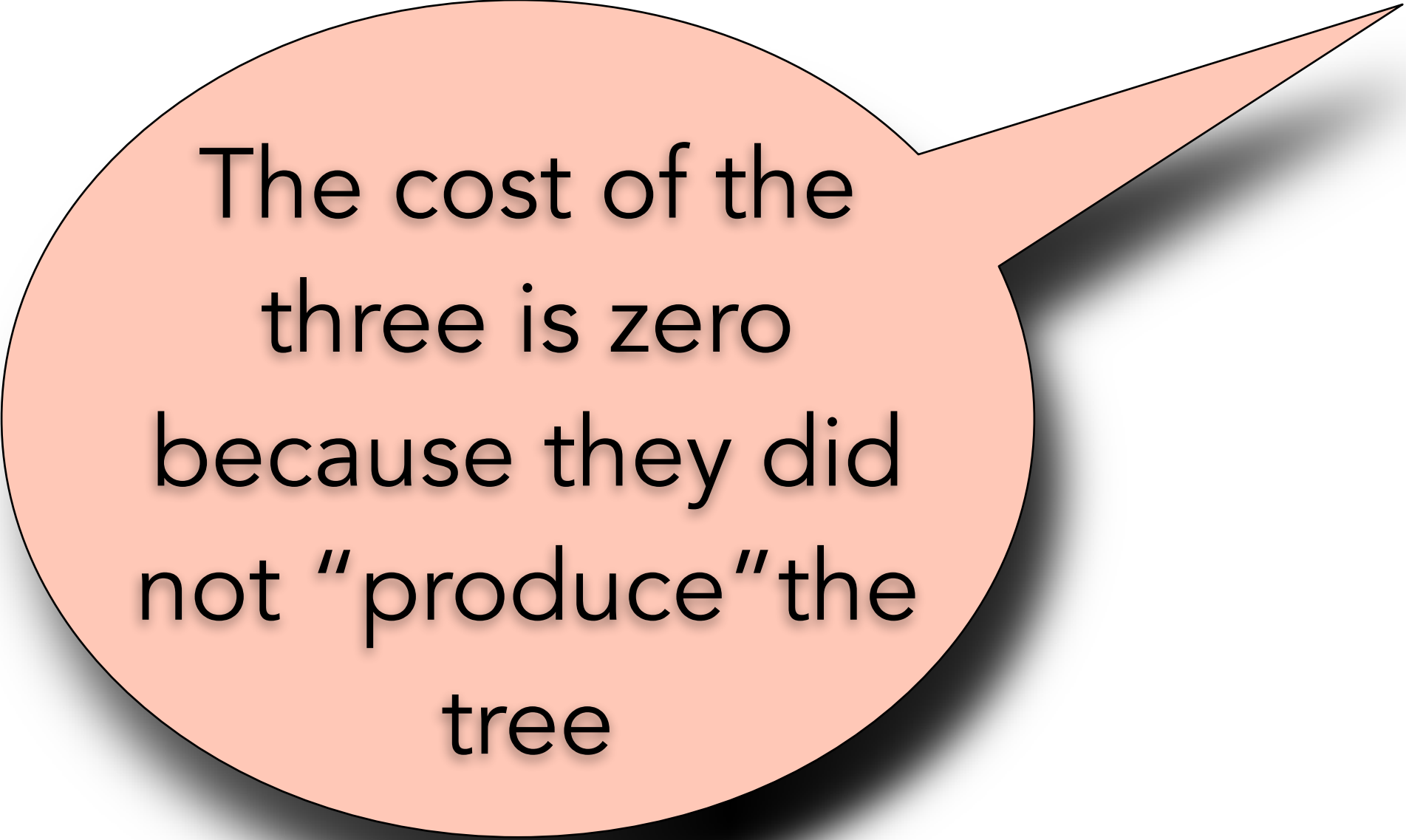




	Produced	Sold it for	Value Added
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GDP as the Sum of Value Added

Sum of Value Added = 2 + 8 + 5 + 15 + 5 = \$35



The cost of the  
three is zero  
because they did  
not "produce" the  
tree

Value Added = Sell Price - Cost of production

	Produced	Sold it for	Value Added

Indian community owns forest	Tree	$\$2 - 0 = \$2$	
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	Produced	Sold it for	Value Added
Indian community owns forest	Tree	\$2	$2 - 0 = \$2$

Logging Company buys tree for  
\$2 transforms it into a log

Log

\$10

$$10 - 2 = \$8$$

	Produced	Sold it for	Value Added
Indian community owns forest	Tree	\$2	$2 - 0 = \$2$
Logging Company buys tree for \$2 transforms it into a log	Log	\$10	$10 - 2 = \$8$

Wood Company buys logs for  
\$10 transforms into plywood

Plywood

\$15

$$15 - 10 = \$5$$

	Produced	Sold it for	Value Added
Indian community owns forest	Tree	\$2	$2 - 0 = \$2$
Logging Company buys tree for \$2 transforms it into a log	Log	\$10	$10 - 2 = \$8$
Wood Company buys logs for \$10 transforms into plywood	Plywood	\$15	$15 - 10 = \$5$

Furniture Manufacturer buys  
plywood for \$15 makes table

Table

\$30

$$30 - 15 = \$15$$

	Produced	Sold it for	Value Added
Indian community owns forest	Tree	\$2	$2 - 0 = \$2$
Logging Company buys tree for \$2 transforms it into a log	Log	\$10	$10 - 2 = \$8$
Wood Company buys logs for \$10 transforms into plywood	Plywood	\$15	$15 - 10 = \$5$
Furniture Manufacturer buys plywood for \$15 makes table	Table	\$30	$30 - 15 = \$15$

Macy's buys table for \$30 places  
on showroom for display

Table in  
showroom  
\$35

$$35 - 30 = \$5$$



	Produced	Sold it for	Value Added
Indian community owns forest	Tree	\$2	$2 - 0 = \$2$
Logging Company buys tree for \$2 transforms it into a log	Log	\$10	$10 - 2 = \$8$
Wood Company buys logs for \$10 transforms into plywood	Plywood	\$15	$15 - 10 = \$5$
Furniture Manufacturer buys plywood for \$15 makes table	Table	\$30	$30 - 15 = \$15$
Macy's buys table for \$30 places on showroom for display	Table in showroom	\$35	$35 - 30 = \$5$

Price paid by final user \$35				\$35
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	Produced	Sold it for	Value Added
Indian community owns forest	Tree	\$2	$2 - 0 = \$2$
Logging Company buys tree for \$2 transforms it into a log	Log	\$10	$10 - 2 = \$8$
Wood Company buys logs for \$10 transforms into plywood	Plywood	\$15	$15 - 10 = \$5$
Furniture Manufacturer buys plywood for \$15 makes table	Table	\$30	$30 - 15 = \$15$
Macy's buys table for \$30 places on showroom for display	Table in showroom	\$35	$35 - 30 = \$5$
Price paid by final user \$35			\$35

# GDP as the Sum of Value Added

Value Added = Sell Price - Cost of production

	Produced	Sold it for	Value Added
Indian community owns forest	Tree	\$2	$2 - 0 = \$2$
Logging Company buys tree for \$2 transforms it into a log	Log	\$10	$10 - 2 = \$8$
Wood Company buys logs for \$10 transforms into plywood	Plywood	\$15	$15 - 10 = \$5$
Furniture Manufacturer buys plywood for \$15 makes table	Table	\$30	$30 - 15 = \$15$
Macy's buys table for \$30 places on showroom for display	Table in showroom	\$35	$35 - 30 = \$5$
Price paid by final user \$35			\$35

Sum of Value Added =  $2 + 8 + 5 + 15 + 5 = \$35$

# GDP