	Produced	Sold it for	Value Added

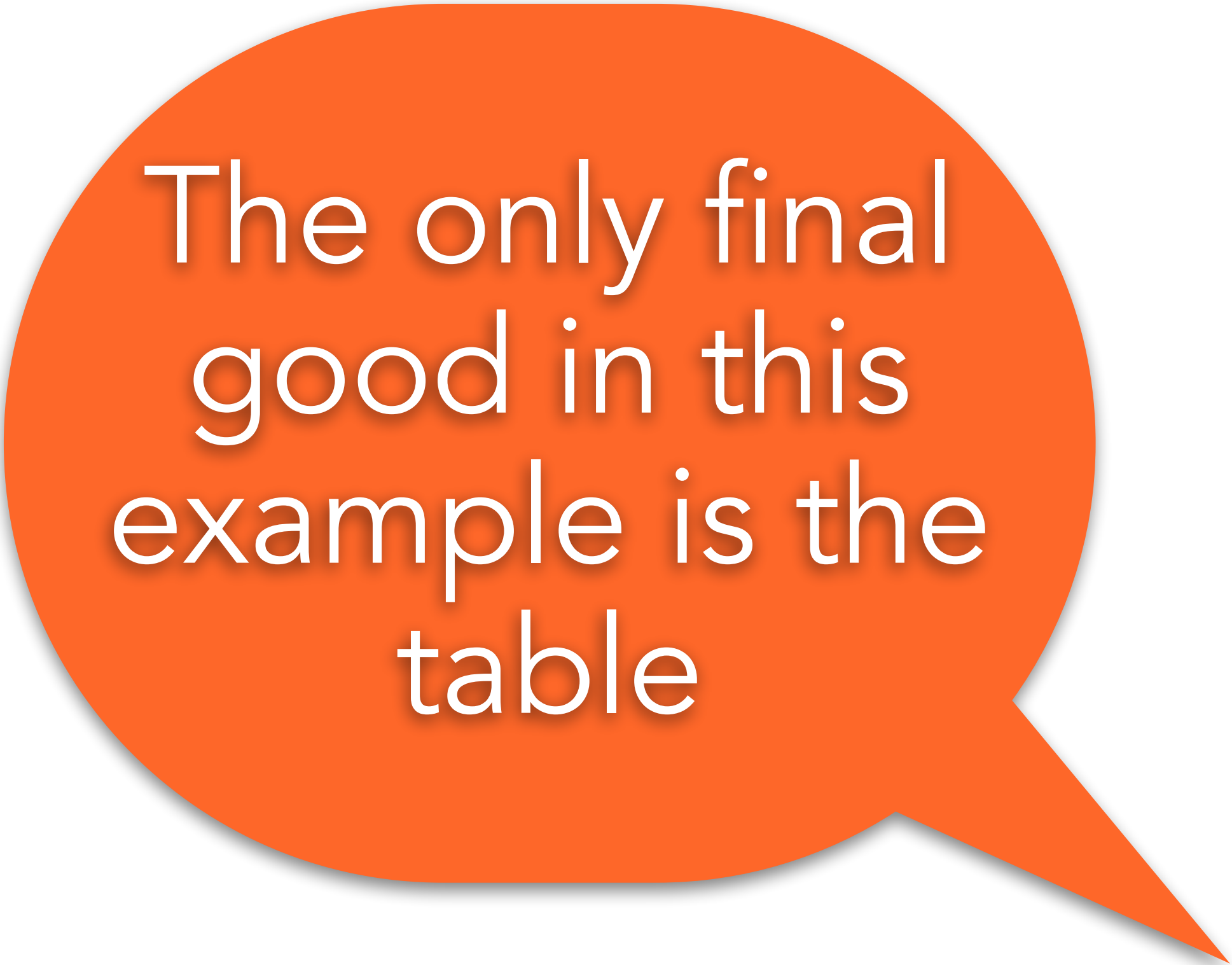
GDP as the Sum of Values Added

Sum of Values Added = 2+8+5+15+5 = $35

The cost of the tree is zero because they did not “produce” it

Value Added = Selling Price - Cost of production

GDP = purchases of final goods


The only final good in this example is the table

GDP = $35

GDP =Sum of Values Added = 2+8+5+15+5 = $35

	Produced	Sold it for	Value Added

Indian community owns forest	Tree	$2	2 - 0 = $2

	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

	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 Values Added

Value Added = Selling 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 -15 = $15
Macy's buys table for $30 places on showroom for display	Table in showroom		35 - 30 = $5
Price paid by final user $35		GDP = $35	$35

The only final good in this example is the table

GDP =Sum of Values Added = 2+8+5+15+5 = $35

GDP