

**Homework #4(5points)**  
**Principles of Macroeconomics (Thursday)**

Due in the next class, before class starts.

No late submission will be accepted as the answer will be given in the same class.

- A. Define the concept of value addition. Refer to the Table below. Suppose manufacturing of a wool suit involves five stages. Calculate value addition at each stage of production assuming the cost at the first stage of production \$20. (4 points)
- B. What is the final price of the suit? If this country makes 1000 suits in 2016, what will be its GDP in 2016?

Stages of Production	Sales value of materials or product
Sheep ranch	\$70
Wool Processor	120
Suit manufacturer	135
Clothing wholesaler	195
Retail clothier	350