

# GDP: Calculations and Definitions

Use the following table for questions 1 and 2

Personal consumption expenditures	\$900
Personal taxes	\$180
Government expenditures	\$300
Exports	\$40
Imports	\$75
Interest income	\$60
Depreciation	\$50
Gross investment	\$200

1. Referring to the table above, what is this country's GDP?
  - a) \$1,305
  - b) \$1,440
  - c) \$1,365
  - d) \$1,225
  
2. Referring to the table above, what is this country's Net Exports?
  - a) \$-35
  - b) \$35
  - c) \$115
  - d) \$-115
  
3. The circular flow diagram shows how households and firms interact through product and factor markets.
  - a) True
  - b) False
  
4. Net exports is defined as GDP minus depreciation
  - a) True
  - b) False

Answers:

1. c.  $GDP = C + I + G + (X - M) = \$900 + \$200 + \$300 + (\$40 - \$75) = \$1,365$
2. a.  $Net\ Exports = Exports - Imports = \$40 - \$75 = \$ -35$
3. a. The circular flow diagram shows how the production of goods and services generates income for households through the Factor Market and how households purchase goods and services produced by the businesses in the product market.
4. b.  $GDP - Depreciation = Net\ Domestic\ Product = NDP$   
 $Net\ Exports = Exports - Imports$

Where:  
 C = Consumption Expenditure  
 I = Investment Expenditure  
 G = Government Expenditure  
 X = Exports  
 M = Imports  
 (X - M) = Net Exports

