madheshiya Deepanjali 2-53

Date: / /
Page No.

Problem 1: Nominal GDP Calculation
Nominal GDP is calculated by multiplying the quantity of each product by its market price and adding them up:
- 1 million automobiles x $10,000 = $10,000
- 5 million clothing outfits x $100 = $500
- 10 million pounds of food x $2 = $20 million
- 2 million dwelling units x $4,000 = $8,000
- 1 million hours of attorneys services x $20 = $20 million
- 2 million hours of medical services x $30 = $60 million

Nominal GDP = $10,000 + $500 + $20 + $8,000 + $20 + $60 = $43,130 million

Problem 2: Increase in Nominal GDP
No, an increase in nominal GDP doesnt necessarily mean production, income, and jobs increased. It could be due to inflation.

Problem 3: GDP Overestimation
GDP would be overstated if intermediate products are included because their value is already part of final products.

Problem 4: Value Added (GDP)
Value added = $10,000 billion - $6,000 billion = $4,000 billion

Date: / /
Page No.

Problem 5: Gross Private Domestic Investment

Using GDP = C + I + G + NX:

$4,500 billion = $3,000 billion + I + $1,000 billion + 0

I = $4,500 billion - $3,000 billion - $1,000 billion = $500 billion

Problem 6: Government Purchases vs

Government purchases exclude transfer payments (e.g., social security benefits), which are part of total expenditures.