1. Under production method, clothes produced in China by a US-owned company, American Eagle, are counted in China’s GDP.
2. True b) False
3. GDP decreased by 1.1% in 2010. In the same year, there was decrease in leisure activities.
4. GDP understates living standards b) GDP overstates living standards
5. Purchase of a new office building is part of:
6. Personal expenditure b) Private-sector Investment c) Government expenditure

d) Net Exports

1. Which is NOT included in GDP?
2. A son receives $200 check from working at his dad’s company c) RiverRock Casino’s profit
3. Employment insurance benefits d) Parks Accounting Firm receives $100 cash from a customer
4. The income actually received by households
5. GDP b) GNP c) NPI d) PI
6. Trees are sold by logging company to a paper producer for 75 cents. The papers are then sold to a retailer for $1.50. Finally, the retailer sells the papers to the final consumer for $2.00. Explain how this product appears in GDP, using the concept of value-added. In each stage, indicate: revenue, value-added, and business that adds value. [4 marks]

|  |  |
| --- | --- |
|  | $ in billions |
| Corporate profits  Exports  Wages and salaries  Net investment  Government purchases  Government transfer payments  Net investment income to the rest of the world  Indirect taxes  Personal consumption  Interest income  Imports  Depreciation  Proprietors’ incomes and rents  Personal taxes  Earnings not paid out to persons  Statistical discrepancy | 70  40  550  120  90  40  (20)  30  510  45  20  60  40  45  40  ? |

1. Looking at above table,
2. Find income-based and expenditure-based estimates of Canada’s (2011) GDP. [10 marks]
3. Outline how the statistical discrepancy between the two estimates in part (a) can be used to find single GDP value. [2 marks]
4. How much is Canada’s capital stock expanding or contracting in 2011? [3 marks]
5. Find GNP and DI. [5 marks]