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NATIONAL INCOME ACCOUNTING

GDP: Measuring Total Production

Measuring Total Production

Gross Domestic Product: The market value of all final goods and services produced in a country during a period of time

GDP is measured using market values, not quantities

Production is measured by taking the value for all goods and services in dollar terms. Quantities would give a meaningless jumble of different products

GDP includes only the market value of final goods and services

In measuring GDP, we include only the market value of final goods and services.

A **final good or service** is one that is purchased by its final user and is not included in the production of any other good or service. (bread)

An **Intermediate good** is a good that is an input into another good or service (flour for bread)

Not included in GDP:

1. Intermediate Goods
2. Non – Production Transactions
3. Non – Market Activities

Measuring GDP using the value added method

Value added method: Market value a firm adds to a product

Refers to the additional market value a firm adds to a product and is equal to the difference between the price the firm sells a good for and the price it paid other firms for intermediate goods.

Final price of good = accumulation of value added from each firm involved in production

Other methods of total production and total income

Net Domestic Product (NDP)

Net domestic product (NDP) is calculated by measuring GDP and subtracting the value of depreciation on capital equipment.

Gross National Income (GNI)

GNI, is Australia's GDP, plus income generated overseas by Australian residents and firms, minus the income generated in Australia by non-residents and foreign firms.