GDP: Expenditure Approach

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1. Which of the following is not a component of GDP?
   a) Producer Price Index
   b) Consumption
   c) Net Exports
   d) Government Purchases

2. If the base year is 2000, then real and nominal GDP in 2000 will be equal.
   a) True
   b) False

3. The expenditure approach to calculating GDP sums:
   a) Consumer spending, gross private domestic investment, government transfers and exports minus imports.
   b) Consumer spending, gross private domestic investment, government spending and exports minus imports.
   c) Consumer spending, gross private domestic investment, government spending and imports minus exports.
   d) Consumer spending, gross private domestic investment, government transfers and exports.

4. Net Exports refer to:
   a) Exports plus imports
   b) All the goods and services produced, minus those exported
   c) Exports minus imports
   d) All the goods and services produced, plus imports

Answers:

1. a. GDP = C + I + G + (X – M)
2. a. by definition
3. b. GDP = C + I + G + (X – M)
4. a. Net Exports = Exports – Imports

Where: **C = Consumption Expenditure**

I = Investment Expenditure

G = Government Expenditure

X = Exports

M = Imports

(X – M) = Net Exports