

EE212 Principles of Macroeconomics, 2/2016 (Sec. 046401)

Problem Sets 3 :

Chapter 2. National Income Accounting

Please submit at the BE office, 5th floor department of Economics building.

Deadline of submission : April 16, 2017, before 15.00 hrs. Late submission will not be accepted.

1. One may summarize the three firms in a little table;

	A	B	C
1. Sales; (value of goods produced)	600	2,000	400
2. Wages, Interest, Rent	440	1,200	260
3. Value of Intermediate inputs	0	600	0
Profit	160	200	140

- (a) Define and calculate value added by each firm A, B and C.

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- (b) Calculate GDP of this economy.

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2. Explain whether or not, why, and how the following items are included in the calculation of GDP.

- (a) Increases in business inventories.

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- (b) Wages earned by real estate agents on selling existing homes.

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- (c) Purchases of foreign-made medium-speed boat by a fishing firm.

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3. You are given the following information about the economy of T-land in 2016.

Product	Price 2016 (Baht)	Quantity 2016 (millions unit)
Orange	10	1000
Orange juice * (*the production of Orange juice uses all of Oranges as input)	50	2000
Squeezer machine	5000	10

Please find the Nominal GDP for 2016 and 2017. Explain the problem if the Value Added Method is not used in calculating the GDP for 2016.

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4. You are given the following information about the economy of T-land in 2017

Year 2017	(millions Baht)
Transfer Payments ; example the government give the money to help the poor	2000
Interest Income	10000
Depreciation	20000
Wages	70000
Gross Private Investment [changes in inventories, non-residential investment, residential investment]	50000
Business Profits	15000
Indirect Business Taxes	12000
Rental Income	23000
Net Exports (X - M)	7500
Government Purchases	20000
Household Consumption	80000

GDP deflator for 2017 is 105 (base year is 2016).

(a) Calculate Real GDP 2017 using Expenditure Approach.

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(b) Calculate Real GDP 2017 using Income Approach

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