PENANG SANGAM HIGH SCHOOL
P.O.BOX 44, RAKIRAKI

LESSON NOTES

Subject: Economics   **Year/Level:** 12

Week 7

Strand	3	Macroeconomics
Sub Strand	3.1	National Income
Content Learning Outcome	Explore the Real GDP in the context of the Fiji economy.	

Greetings to all…

We will now continue with our coverage proper therefore, you need to take note of things in your note book as instructed in this lesson.

In our last lesson we looked at the 3 approaches of calculating GDP I will recap as summary based on the approaches and further discussions will be done on the approaches in our face to face meet.

Copy the strand, sub-strand and content learning outcome in your note book.

Recap (Please copy in your note book)

Achievement Indicators:

1. Calculate GDP using income, expenditure and value added approach
2. Discuss the limitations of GDP
3. Use formulas to calculate GNE,GNI,GDP at factor cost and GDP at market prices

Summary:

Definition:

National Income – is the monetary measure of goods and services produced in an economy in a year.

3 Approaches to calculate GDP

1. Expenditure Approach
Measures total expenditure on final goods and services.

Formula

GDP at market price =C+ I+ G+ (X- M)   + Statistical Discrepancy

GNP = GDP + Net Factor Income Abroad

Net Factor income Abroad = Income received from abroad – income paid abroad

GDE = C + I + G

Note:

GDP stands for Gross Domestic Product

GNP stands for Gross National Product

GDE stands for Gross Domestic Expenditure

Statistical Discrepancy (SD) is the difference between Gross Domestic Product and Gross Domestic Income represented as errors.

2.Income Approach	3.Production Approach (Value Added Method)
It consists of the sum of all factor income earned, net indirect taxes and depreciation. Formula GDP = Factor income + Net indirect taxes + depreciation Net Indirect taxes = Indirect tax - Subsidies	Measures the value added at each successive stage of production to avoid the problem of double-counting. Value added = Output - Input

So the above was on the calculation of GDP that was covered in our last lesson. We will look at the next achievement indicator in our next lesson.

Stay Safe……..