# What is GDP Calculation?

Worksheet

GDP = C + I + G + (X – M), where C is consumer spending, I is investment, G is government spending, X is exports, and M is imports. Three methods calculate it: expenditure, income, and production.

$$GDP = C + I + G + (X - M)$$

C = Consumer spending (consumption) (currency)
I = Business investment (currency)
G = Government spending (currency)
X = Exports (currency)
M = Imports (currency)

## Questions

1. If C = 1500, I = 500, G = 700, X = 300, M = 200, what is GDP?

A) 2200
B) 2300
C) 3200
D) 2700

2. What does X − M represent in GDP?

A) Total trade
B) Net exports (exports minus imports)
C) Domestic demand
D) Investment

3. If imports rise and nothing else changes, GDP...

A) rises
B) falls
C) stays the same
D) doubles

4. Which is NOT a component of GDP?

A) Consumer spending
B) Profit earned
C) Government spending
D) Net exports

5. A country has: consumer spending 1,500B, investment600B, government spending 800B, exports400B, imports $350B. Calculate GDP.

6. If exports rise from 400B to500B while imports fall to $300B, how much does GDP change?

7. In a recession, government increases spending from 800B to1,000B. If C, I, X, M stay constant, new GDP?

8. Define: What is GDP?

9. Define: What is the GDP expenditure formula?

10. Define: What does C mean in the GDP formula?

# Answer Key

1. D) 2700 — GDP = 1500 + 500 + 700 + (300–200) = 2700.

2. B) Net exports (exports minus imports) — X − M is net exports — the net contribution of international trade to GDP.

3. B) falls — Higher M → larger subtraction in GDP = lower GDP.

4. B) Profit earned — Profit is already counted in investment and business activity, not separately in GDP.

5. GDP = C + I + G + (X – M) GDP = 1500 + 600 + 800 + (400 – 350) GDP = 1500 + 600 + 800 + 50 = $2,950 billion

6. Old (X – M) = 400 – 350 = 50 New (X – M) = 500 – 300 = 200 Change = 200 – 50 = +150B GDP increases by $150 billion

7. G change = 1000 – 800 = 200 Old GDP = 2,950 New GDP = 2,950 + 200 = $3,150 billion

8. The total market value of all final goods and services produced in a country in a period.

9. GDP = C + I + G + (X – M).

10. Consumer spending — households buying goods and services.