**Gross Domestic Product**

For each of the following determine if it would be counted or not counted in GDP. If it is counted, explain where it could be counted if you were using the expenditure approach (consumer spending, investment spending, government spending, or net exports). If it is not counted, explain why it would not be counted.

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Counted?** | **C G I**  **or XN?** | **Explanation if not counted** |
| 1. You buy 100 shares of Amazon. |  |  |  |
| 2. You spend $87 on a new pair of shoes. |  |  |  |
| 3. Your parents buy you a new condo built this year to live in while you are at college. |  |  |  |
| 4. You buy your cousin’s car so you have a reliable source of transportation. |  |  |  |
| 5. Your mother bakes cupcakes for your sister’s birthday party at school. |  |  |  |
| 6. You pay tuition to attend college. |  |  |  |
| 7. You cash in a savings bond to pay your college tuition. |  |  |  |
| 8. At the end of the year, a shoe store finds its shoe inventory is $2,000 more than it was at the beginning of the year. |  |  |  |
| 9. Your parents buy a 5-year old house so the family has more room. |  |  |  |
| 10. The realtor earned $5,000 commission of the sale of your newly built condo. |  |  |  |
| 11. The government increases spending on health care. |  |  |  |
| 12. Your grandmother collects $1,200 each month in social security. |  |  |  |
| 13. You buy a television for your dorm room that was made in China. |  |  |  |
| 14. American Airlines buys a plan from Southwest. |  |  |  |

# Gross Domestic Product Answer Key

## For each of the following determine if it would be counted or not counted in GDP. If it is counted, explain where it could be counted if you were using the expenditure approach (consumer spending, investment spending, government spending, or net exports). If it is not counted, explain why it would not be counted.

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Counted?** | **C, G I or XN?** | **Explanation if not counted** |
| 1. You buy 100 shares of Amazon. | NO |  | Financial  transaction |
| 2. You spend $87 on a new pair of shoes. | YES | Consumption |  |
| 3. Your parents buy you a new condo built this year to live in while you are at college. | YES | Investment |  |
| 4. You buy your cousin’s car so you have a reliable source of transportation. | NO |  | Second hand good |
| 5. Your mother bakes cupcakes for your sister’s birthday party at school. | NO |  | Non-market activity |
| 6. You pay tuition to attend college. | YES | Consumption |  |
| 7. You cash in a savings bond to pay your college tuition. | NO |  | Financial transaction |
| 8. At the end of the year, a shoe store finds its shoe inventory is $2,000 more than it was at the beginning of the year. | YES | Investment |  |
| 9. Your parents buy a 5-year old house so the family has more room. | NO |  | Second hand good |
| 10. The realtor earned $5,000 commission of the sale of your newly built condo. | YES | Consumption |  |
| 11. The government increases spending on health care. | YES | Government |  |
| 12. Your grandmother collects $1,200 each month in social security. | NO |  | Transfer payment —no  production |
| 13. You buy a television for your dorm room that was made in China. | YES | Net Export (decrease) |  |
| 14. American Airlines buys a plan from Southwest. | No |  | Second hand good |