

ECON 202
 INTERMEDIATE MACROECONOMICS
 Dr. Yetkiner

26 February 2007

Key to Pop-Quiz I
The Work-Leisure Tradeoff

1. (10 Points) The following information about business activity is revealed to the Department of Commerce by the only three business firms in the economy:

Beta Flour Company	\$	Ace Oven Co.	\$	Dewdrop Cookie Co.	\$
Sales	250	Sales	150	Sales	900
Wages	100	Wages	100	Wages	600
Depreciation	30	Depreciation	20	Flour Inventory	
Rent	50			Beginning of Year	100
				End of Year	200
				Flour Purchases	250
				Oven Purchases	150
				Depreciation	50

Compute GDP by using product (value added), expenditure, and income approaches.
 Hint: You should indicate each item clearly.

Value Added Approach: $250 + 150 + (900 - 150 - 150) = 1000$

Expenditure Approach: $900 + 100 = 1000$

Income Approach: Wages + Profits + Depreciation + Rent

Beta	100	70	30	50	
Ace	100	30	20		
Dewdrop	600	-50	50		
Total	800	50	100	50	=1000