

Value Added Method

This method is used to measure National Income in different phases of production in circular flow.

Every enterprise adds to the value of product which it purchases at intermediate goods.

The value which it added is known as Gross Value Added at MP.

$$\text{value of output} - \text{Intermediate consumption} = \text{Value Added}$$

Gross Value Added at MP means

$$GVA_{MP} = GDP_{MP}$$

$$\text{value Added} = \text{value of output} - \text{Intermediate consumption}$$