

MACRO ECONOMIC NOTS

CLASSIFICATION OF GOODS

FINAL GOODS- are those goods which have crossed the boundary line of production, and are ready for use by their final users.

Example: shoes used by the household, or tractor used by the farmer. final goods must lead to either final consumption expenditure or investment expenditure in the economy

INTERMEDIATE GOODS are those goods which are purchased by one firm from the other for resale or for use as raw material in the production of other goods. **Example:** Wood used in the production of chairs.

CONSUMPTION GOODS: are those goods which are directly used for the satisfaction of human wants.

Example: Milk and ice cream used by the household.

CAPITAL GOODS are fixed assets of the producer and are repeatedly used in the process of production these are durable-use producer goods and are of high value **Example:** plant and machinery.

Consumption Expenditure is the aggregate consumption expenditure in the economy.

Component: (i) Consumption expenditure by the house hold. (ii) Consumption expenditure by the government, (iii) Consumption expenditure by the non-profit institution.

INVESTMENT is a process of adding to the stock of capital.

Component: (i) Fixed investment, (ii) Inventory investment

Fixed investment is a addition to the stock of fixed assets of the producer during an accounting year.

Inventory Investment is the addition to the stock of inventory with the producer during an accounting year.