**Abstract**

Gross domestic product is a monetary measure of the market value of all the final goods and services produced in a specific time period. GDP per capita does not, however, reflect differences in the cost of living and the inflation rates of the countries.GDP can be determined in three ways, all of which should, theoretically, give the same result. They are the production (or output or value added) approach, the income approach, or the speculated expenditure approach. The most direct of the three is the production approach, which sums the outputs of every class of enterprise to arrive at the total. The expenditure approach works on the principle that all of the product must be bought by somebody, therefore the value of the total product must be equal to people's total expenditures in buying things. f GDP is calculated this way it is sometimes called gross domestic income (GDI), or GDP (I). GDI should provide the same amount as the expenditure method described later. By definition, GDI is equal to GDP. In practice, however, measurement errors will make the two figures slightly off when reported by national statistical agencies. This method measures GDP by adding incomes that firms pay households for factors of production they hire - wages f or labour, interest for capital, rent for land and profits for entrepreneurship.