

# Circular Flow of Income Concepts

Economics · Answer Key · 14 Questions

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## 1. What are households in the circular flow of income?

- A) Units that employ the factors of production
- B) Group of people that live together and make economic decisions**
- C) The recipients of taxes
- D) When something is counted twice

## 2. What are business enterprises?

- A) Group of people that live together and make economic decisions
- B) Units that employ the factors of production**
- C) The recipients of taxes
- D) When something is counted twice

## 3. What does savings represent in the circular flow?

- A) Creation of capital goods
- B) Movement of money in the circular flow
- C) Difference between income and spending**
- D) Where goods are bought and sold

## 4. What is investment in the context of the circular flow?

- A) Movement of money in the circular flow
- B) Difference between income and spending
- C) Creation of capital goods**
- D) Where goods are bought and sold

## 5. What is a real flow?

- A) Movement of money in the circular flow
- B) Movement of physical goods, services and factors of production**
- C) Factors that increase the circulation of spending
- D) Factors that decrease the circulation of spending

## 6. What is the product market?

- A) Where goods are bought and sold**
- B) Movement of money in the circular flow
- C) Creation of capital goods
- D) Difference between income and spending

### 7. What is a nominal flow?

A) Movement of physical goods, services and factors of production

**B) Movement of money in the circular flow**

C) Factors that increase the circulation of spending

D) Factors that decrease the circulation of spending

### 8. What are exports?

**A) Goods that a country produces and sold to the rest of the world**

B) Goods that a country buys from the rest of the world

C) Factors that increase the circulation of spending

D) Factors that decrease the circulation of spending

### 9. What are leakages?

A) Factors that increase the circulation of spending

**B) Factors that decrease the circulation of spending**

C) Movement of money in the circular flow

D) Movement of physical goods, services and factors of production

### 10. What are injections?

A) Factors that decrease the circulation of spending

**B) Factors that increase the circulation of spending**

C) Movement of money in the circular flow

D) Movement of physical goods, services and factors of production

### 11. What does 'When something is counted twice' refer to?

A) Leakages

B) Injections

C) Inflation

**D) Double counting**

### 12. Which column describes the movement of physical goods, services and factors of production?

A) Nominal flow

**B) Real flow**

C) Product market

D) Investment

### 13. Which column describes the movement of money in the circular flow?

A) Real flow

**B) Nominal flow**

C) Savings

D) Exports

**14. What are the recipients of taxes?**

- A) Households
- B) Business enterprises
- C) Government**
- D) Firms