

Circular Flow of Income Concepts

Economics · Practice Test · 14 Questions

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