Circular Flow of Income

Multiple Choice Questions

1. Which concept is known as the study of aggregates?
   (a) Microeconomics
   (b) Macroeconomics
   (c) Market demand
   (d) Aggregate demand
2. In 1936, macroeconomics become a separate branch of economics after a book published by
   (a) Adam Smith
   (b) J.B. Say
   (c) John Maynard Keynes
   (d) Alfred Marshall
3. The individuals or institutions which take decisions regarding consumption, production, budget, taxation, policy, etc. are known as
   (a) Producers
   (b) Consumers
   (c) Government
   (d) All of these
4. Macroeconomics is also called .... economics.
   (a) Experimental
   (b) Applied
   (c) Aggregated
   (d) Individual
5. The goods which are ready to be used by the producers, are called ....
   (a) Final goods
   (b) Consumer goods
   (c) Producers goods
   (d) Both (a) and (c)
6. .... of the goods is the principle basis of classifying the goods into intermediate and final goods.
   (a) Production
   (b) Consumption
   (c) End-use
   (d) Expenditure
7. Which is not a characteristic of a service?
   (a) Intangibility
   (b) Variability
   (c) Inseparability
   (d) Imperishability
8. The goods used by manufacturer like tools, equipment and plant, etc. are known as
   (a) Manufactured goods
   (b) Intermediate goods
   (c) Final producer goods
   (d) All of the above

9. Building, plant and machinery are capital goods. In the light of this statement, following are the characteristics of capital goods excluding
   (a) They are of high value
   (b) They are the assets of the company
   (c) They are used for less than one year
   (d) They are used in production process
10. The process of adding to physical stock of capital is known as
   (a) Investment
   (b) Savings
   (c) Capital formation
   (d) Both (a) and (b)
11. ……. is addition to the stock of fixed assets of producers during an accounting year.
   (a) Current Investment
   (b) Fixed investment
   (c) Inventory investment
   (d) Gross investment
12. Gross Investment = Net Investment + ………..
   (a) Net Indirect Tax
   (b) Reserve
   (c) Depreciation
   (d) None of these
13. ………… is a fund created by the producers to meet the upcoming depreciation losses in the process of production.
   (a) Capital reserve fund
   (b) Depreciation reserve fund
   (c) Share reserve fund
   (d) None of the above
14. Depreciation of fixed capital assets refers to
   (a) Normal wear and tear
   (b) Foreseen obsolescence
   (c) Both (a) and (b)
   (d) Unforeseen obsolescence
15. Which of the following sector is engaged in consumption of goods and services and also provide factor services?
   (a) Household sector
   (b) Production
   (c) Government sector
   (d) Rest of the World
16. In a circular flow of income, ………… acts as intermediate between household and firms to facilitate savings and borrowings.
   (a) Financial market
   (b) Goods market
   (c) Gold market
   (d) All of these

17. Which variable are defined as any quantity measured at a particular point of time?
    (a) Stock
    (b) Flow
    (c) Investment
    (d) Inventory
18. When households and firms borrow from the financial market, they constitute …… .
    (a) Leakage
    (b) Flow
    (c) Injection
    (d) None of these
19. ……….. refers to the flow of money across different sectors of the economy.
    (a) Real flow
    (b) Circular flow
    (c) Money flow
    (d) Both (a) and (c)
20. Withdrawal of income from circular flow of income e.g. savings, is known as
    (a) Leakage
    (b) Injection
    (c) Credit
    (d) Finance