

# 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.  $\text{Gross Investment} = \text{Net Investment} + \dots\dots\dots$
- (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