



Parkin&Bade, Macroeconomics, 2nd edition

Chapter 2: The Australian and Global Economies

Multiple choice: Choose the one alternative that best completes the statement or answers the question.

1. Items that are purchased by individuals for their own enjoyment are called

- A) government goods and services.
- B) exports of goods and services.
- C) private goods.
- D) consumption goods and services.
- E) capital goods.

Answer: D

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-Head: 2.1 What, How and for Whom

2. What would be an example of a consumption good?

- A) Jake buys an iPhone.
- B) Tony AbbottScott Morrison purchases furniture for his office.
- C) The local driver's licence office purchases a new digital camera and printer.
- D) Antonio, the manager of the local chicken shop, purchases a new deep fryer.
- E) Rhianna gets a haircut.

Answer: A

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-Head:2.1 What, How and for Whom

3. Which of the following is a consumption good or service?

- A) An Australia Post truck delivering Christmas gifts.
- B) A personal computer purchased in order to play games at home.
- C) The Endeavour space shuttle.
- D) A Virgin Airlines ticket counter.
- E) A satellite dish installed by Foxtel to download programs that are then distributed through its cable system.

Answer: B

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-Head:2.1 What, How and for Whom

4. The largest share of total production in Australia is

- A) consumption goods and services.
- B) imported goods and services.
- C) capital goods.
- D) government goods and services.
- E) exported goods and services.

Answer: A

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-Head: 2.1 What, How and for Whom

5. Items bought by businesses to help produce other goods and services are called

- A) capital goods.
- B) government goods and services.
- C) productive goods.
- D) exports of goods and services.
- E) consumption goods and services.

Answer: A

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-Head:2.1 What, How and for Whom

6. The difference between consumption and capital goods is that

- A) capital goods are used to produce additional goods while consumption goods are not.
- B) capital goods are provided by the government.
- C) it is illegal to export capital goods.
- D) consumption goods can be enjoyed by many people at the same time.
- E) only big corporations can afford capital goods.

Answer: A

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-Head: 2.1 What, How and for Whom

7. Which of the following is NOT considered an example of a capital good?

- A) A miner's cap
- B) A stethoscope
- C) An airport bookshop
- D) A GPS tracking device
- E) An Australian government bond

Answer: E

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-Head:2.1 What, How and for Whom

8. What would be an example of a government good?

- A) Jake buys an iPhone.
- B) The local driver's licence office purchases a new digital camera and printer.

C) Rhianna gets a haircut.

D) Tony Abbott Scott Morrison purchases furniture for his office.

E) Antonio, the manager of your local fish and chip shop, purchases a new deep fryer.

Answer: B

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-Head:2.1 What, How and for Whom

9. An export good is a good produced

A) in another country and purchased by Australian residents.

B) in Australia and sold to foreigners living in Australia.

C) in another country and purchased by foreigners not residing in Australia.

D) in Australia and sold in other countries.

E) by foreigners in Australia and purchased by Australian households.

Answer: D

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-Head:2.1 What, How and for Whom

10. The Melbourne Ski Shop, based in Melbourne, Victoria, sold 60 ski jackets to a Belgian company's headquarters located in Paris, France. The ski jackets are a(n)

A) government good.

B) capital good.

C) consumption service.

D) export good.

E) import.

Answer: D

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-Head:2.1 What, How and for Whom

11. Which of the following is NOT considered one of the factors of production?

- A) Capital
- B) Land
- C) Entrepreneurship
- D) Technology
- E) Labour

Answer: D

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-Head:2.1 What, How and for Whom

12. Which of the following correctly lists the categories of factors of production?

- A) Labour, money, stocks and bonds
- B) Forests, fish, buildings, capital and entrepreneurship
- C) Land, labour, capital and entrepreneurship
- D) Land, buildings, capital and entrepreneurship
- E) Labour, machines, buildings, capital and entrepreneurship

Answer: C

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-Head:2.1 What, How and for Whom

13. Factors of production are the

- A) goods that are bought by individuals and used to provide personal enjoyment.
- B) productive resources used to produce goods and services.
- C) goods that are bought by businesses to produce productive resources.
- D) productive resources used by government to increase the productivity of consumption.
- E) goods and services produced by the economy.

Answer: B

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-Head:2.1 What, How and for Whom

14. The productive resource that includes all the 'gifts of nature' is called

- A) capital.
- B) labour.
- C) entrepreneurship.
- D) land.
- E) land if undeveloped and capital if developed.

Answer: D

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-Head:2.1 What, How and for Whom

15. As a factor of production, oil reserves are counted as

- A) labour.
- B) capital.
- C) financial capital.
- D) land.
- E) entrepreneurship.

Answer: D

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-Head:2.1 What, How and for Whom

16. Over time, the percentage of total employment in services has _____ and in agriculture employment has _____.

- A) stayed about the same; decreased
- B) decreased; increased

- C) increased; increased
- D) increased; decreased
- E) stayed about the same; increased

Answer: D

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-Head:2.1 What, How and for Whom

17. Which of the following has been the bigger contributor to increases in the quantity of labour in Australia during the past 50 years?

- A) The proportion of young adults entering university has trended down.
- B) The proportion of women taking paid jobs has trended up.
- C) Total population growth has increased dramatically.
- D) The proportion of men taking paid jobs has trended up.
- E) The proportion of seniors taking early retirement has trended down.

Answer: B

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-Head:2.1 What, How and for Whom

18. Human capital can be increased through

- A) investment in new machinery.
- B) education, on-the-job training and work experience.
- C) increasing the nation's production of consumption goods.
- D) decreases in population.
- E) investment in new technology.

Answer: B

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-Head:2.1 What, How and for Whom

19. Australia possesses a large amount of human capital. As a result of this fact, in Australia there is a

- A) large number of kind and generous humans.
- B) large amount of machinery and equipment.
- C) highly skilled and educated labour force.
- D) large number of people and a great deal of land.
- E) large amount of machinery (capital) that is run by people (humans).

Answer: C

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-Head:2.1 What, How and for Whom

20. Human capital _____ as you work. As a result, the _____ of goods and services _____.

- A) declines; quality; increases.
- B) increases; quantity; increases.
- C) improves; quality; does not change.
- D) decreases; quantity; decreases.
- E) does not change; quality; does not change.

Answer: B

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-Head:2.1 What, How and for Whom

21. The total value of capital in Australia is around

- A) \$45 trillion.
- B) \$145 trillion.
- C) \$100 trillion.
- D) \$10 trillion.

E) \$79 trillion.

Answer: A

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-Head:2.1 What, How and for Whom

22. Capital is a factor of production. Which of the following is an example of capital?

- i. \$1,000 in money
- ii. 100 shares of Microsoft stock
- iii. \$10,000 in bonds issued by General Motors
- iv. A drill press in your local engineering firm

A) i and ii

B) ii only

C) iii only

D) iv only

E) ii and iii

Answer: D

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-Head:2.1 What, How and for Whom

23. One of the productive resources is capital. Capital includes

- A) tools, buildings and machine tools.
- B) money in a savings account at a bank.
- C) money borrowed from a bank.
- D) a company's stocks and bonds.
- E) toys, t-shirts, CD players, and pencils.

Answer: A

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-Head:2.1 What, How and for Whom

24. Which of the following is NOT considered capital?

- A) A nail gun used for building houses
- B) A computer used by your lecturer for presentations in class
- C) An assembly line at a General Motors plant
- D) The furniture in the Prime Minister's office
- E) Stocks and bonds that are sold by Pepsico

Answer: E

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-Head:2.1 What, How and for Whom

25. Entrepreneurship, as a factor of production, refers to

- A) the human capital accumulated by workers.
- B) the value of the firm's stock.
- C) the human resource that organises labour, land and capital.
- D) the capital the firm uses.
- E) the technology used by firms.

Answer: C

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-Head:2.1 What, How and for Whom

26. Payments to the factors of production are

- A) rent, interest, bonds, and profit or loss.
- B) land, labour, capital and entrepreneurship.
- C) rent, mortgage, interest and bonds.
- D) rent, wages, interest, and profit or loss.

E) rent, wages, profit or loss, and bonuses.

Answer: D

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-Head:2.1 What, How and for Whom

27. Which factor of production is paid 'interest'?

- A) Capital
- B) Entrepreneurship
- C) Human capital
- D) Labour
- E) Land

Answer: A

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-Head:2.1 What, How and for Whom

28. Which factor of production is paid 'profit'?

- A) Capital
- B) Entrepreneurship
- C) Land
- D) Labour
- E) Human capital

Answer: B

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-Head:2.1 What, How and for Whom

29. According to the functional distribution of income, in Australia

- A) the income earned by capital and labour are approximately equal.

- B) entrepreneurs earn most of the income.
- C) land earns most of the income.
- D) capital earns most of the income.
- E) labour earns most of the income.

Answer: E

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-Head:2.1 What, How and for Whom

30. The majority of the income earned in Australia is paid in

- A) dividends.
- B) interest.
- C) profit.
- D) wages.
- E) rent.

Answer: D

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-Head:2.1 What, How and for Whom

31. The personal distribution of income measures which of the following?

- A) The distribution of earnings by the factors of production.
- B) How federal tax revenues are related to the type of businesses that employs the taxpayers.
- C) The distribution of income among households.
- D) The distribution of income among nations.
- E) The proportion of income generated by the four types of expenditures on goods and services.

Answer: C

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-Head:2.1 What, How and for Whom

32. The personal distribution of income in Australia shows that

- A) the richest 20 per cent of individuals receive approximately 25 per cent of total income.
- B) the poorest 60 per cent of individuals receive approximately 50 per cent of total income.
- C) income is equally distributed.
- D) the richest 20 per cent of individuals receive approximately 50 40 per cent of total income.
- E) the poorest 20 per cent of individuals receive approximately 20 per cent of total income.

Answer: D

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-Head:2.1 What, How and for Whom

33. The richest 20 per cent of individuals in Australia receive about _____ of the nation's total income.

- A) 23 per cent
- B) 5140 per cent
- C) 91 per cent
- D) 21 per cent
- E) 99 per cent

Answer: B

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-Head:2.1 What, How and for Whom

34. Goods and services produced in Australia and sold in other countries are called

- A) government goods and services.

- B) export goods and services.
- C) import goods and services.
- D) capital goods.
- E) consumption goods and services.

Answer: B

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-Head:2.1 What, How and for Whom

35. In economics, the factor of production 'land' includes all of the following EXCEPT

- A) wild plants.
- B) plastics.
- C) oil.
- D) energy.
- E) animals, birds and fish.

Answer: B

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-Head:2.1 What, How and for Whom

36. When Ethan continues his education beyond high school he is increasing his

- A) capital.
- B) quantity of labour.
- C) human capital.
- D) wage rate.
- E) rent.

Answer: C

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-Head:2.1 What, How and for Whom

37. Wages are paid to _____ and interest is paid to _____.

- A) labour; land
- B) labour; entrepreneurs
- C) entrepreneurs; land
- D) entrepreneurs; capital
- E) labour; capital

Answer: E

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-Head:2.1 What, How and for Whom

38. The income earned by entrepreneurs is

- A) wages.
- B) interest.
- C) profit or loss.
- D) rent, wages and interest.
- E) a mixture of rent, wages, interest and profit.

Answer: C

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking
A-Head:2.1 What, How and for Whom

39. _____ earns the highest amount of income among the factors of production in Australia.
- A) Land
 - B) Entrepreneurship
 - C) Capital
 - D) Investment
 - E) Labour

Answer: E

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking
A-Head:2.2 The Global Economy

40. In Australia, the poorest 20 per cent of households receive about _____ per cent of total income.
- A) 38
 - B) 23
 - C) 49
 - D) 15
 - E) 20

Answer: A

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking
A-Head:2.2 The Global Economy

41. Most people live in _____ economies and the fewest people live in _____ economies.
- A) emerging market; developing
 - B) advanced; developing
 - C) advanced; emerging market

D) developing; emerging market

E) developing; advanced

Answer: D

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-Head:2.2 The Global Economy

42. When describing the IMF broad country classification, the most accurate statement is that

A) about 50 per cent of the world's population lives in the advanced economies and the other 50 per cent lives in the emerging market and developing economies.

B) most of the nations in Western Europe are considered emerging market economies.

C) most of the world's population lives in advanced economies.

D) the category with the greatest number of countries is the advanced economies.

E) the emerging market economies are countries that were, until the early 1990s, part of the Soviet Union or its satellites.

Answer: E

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-Head:2.2 The Global Economy

43. Which of the following is NOT classified as an advanced economy?

A) Australia

B) Canada

C) South Korea

D) the United Kingdom

E) Russia

Answer: E

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-Head:2.2 The Global Economy

44. Most countries in the world are classified as

- A) emerging markets.
- B) advanced.
- C) in transition.
- D) industrialised.
- E) developing.

Answer: E

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-Head:2.2 The Global Economy

45. Which of the following is true?

- i. The advanced economies account for more than half of global production.
- ii. Almost four out of every five people in the world live in the developing economies.
- iii. In the advanced economies, agriculture accounts for a larger part of total production than in the developing economies.

- A) Only i and ii
- B) Only ii and iii
- C) Only i
- D) Only i and iii
- E) i, ii, and iii

Answer: A

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-Head:2.2 The Global Economy

46. Nigeria would be classified by the International Monetary Fund as

- A) a transition economy.

- B) an emerging market economy.
- C) a developing economy.
- D) a resource-based economy.
- E) an advanced economy.

Answer: C

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-Head:2.2 The Global Economy

47. The majority of the value of production in the world economy is produced in

- A) all of the advanced economies taken together.
- B) all of the emerging market economies taken together.
- C) China and other Asian developing economies.
- D) all of Africa and the Middle East taken together.
- E) all of the developing economies taken together.

Answer: A

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-Head:2.2 The Global Economy

48. Physical capital differences across countries can be seen in the fact that

- A) furniture factories in China use machines like those in North America.
- B) the iPhone's components are produced in 30 countries.
- C) advanced economies produce 53 per cent of the world's income.
- D) more advanced economies typically have more sophisticated technology.
- E) students in India study the same subjects as those in Australia.

Answer: D

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-Head:2.2 The Global Economy

49. Which of the following is an example of an effort to decrease physical capital differences between an advanced and a developing economy?

- A) Australian troops build roads in Afghanistan.
- B) Through World Vision, women and children in Africa receive education.
- C) Habitat for Humanity builds houses for low income families in Australia.
- D) NGO volunteers teach English around the world.
- E) Creating Hope International trains women in Afghanistan to become tailors.

Answer: A

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-Head:2.2 The Global Economy

50. Income equality has

- A) narrowed within countries but increased across countries.
- B) increased within countries but narrowed across countries.
- C) decreased in Australia as manufacturing has increased.
- D) not changed in the advanced economies over the past 50 years.
- E) increased in developing economies as manufacturing has decreased.

Answer: B

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-Head:2.2 The Global Economy

51. The world population is approximately _____ people.

- A) 7.3 6 trillion
- B) 2 trillion
- C) 7.3 6 billion
- D) 7.3 6 million
- E) 730 760 million

Answer: C

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-Head:2.2 The Global Economy

52, The percentage of the world's population that lives in the advanced economies is

- A) between 31 per cent and 50 per cent.
- B) between 20 per cent and 30 per cent.
- C) more than 71 per cent.
- D) less than 20 per cent.
- E) between 51 per cent and 70 per cent.

Answer: D

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-Head:2.2 The Global Economy

53. The emerging market economies are

- A) the largest grouping including the nations of China and India.
- B) most of the nations of Western Europe.
- C) the nations that are currently agricultural in nature.
- D) in transition from state-owned production to free markets.
- E) the nations with the highest standards of living.

Answer: D

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-Head:2.2 The Global Economy

54. As a percentage of total world production, production in the 29 advanced economies is about _____ per cent of total world production and in the 118 developing economies is about _____ per cent of total world production.

- A) 53; 12
- B) 19; 73
- C) 30; 46
- D) 53; 39
- E) 23; 62

Answer: D

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-Head:2.2 The Global Economy

55. Among the United States, Canada, Russia, India and the United Kingdom, the country with the highest average income per person is

- A) Canada.
- B) Russia.
- C) the United States.
- D) the United Kingdom.
- E) India.

Answer: C

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-Head:2.2 The Global Economy

56. What two groups of decision makers are represented in the basic circular flow model?

- A) Bankers and regulators
- B) Governments and financial institutions
- C) Wholesalers and retailers
- D) Lenders and borrowers

E) Households and firms

Answer: E

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-Head:2.3 The Circular Flows

57. The circular flow model is used to show the

- A) flow of expenditures and incomes in the economy.
- B) flow of renewable natural resources.
- C) recycling process of production materials.
- D) flow of supply and the flow of demand.
- E) expansions and contractions of economic activity.

Answer: A

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-Head:2.3 The Circular Flows

58. The circular flow model shows the flow of

- A) only funds in stock and bond markets.
- B) only money throughout the economy.
- C) expenditure and income throughout the economy.
- D) only tax payments and government expenditures.
- E) goods markets and factor markets as they move through the economy.

Answer: C

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-Head:2.3 The Circular Flows

59. In the circular flow model, consumption goods are bought and sold in the

- A) government market.

- B) monetary flows.
- C) goods markets.
- D) financial market.
- E) factor markets.

Answer: C

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-Head:2.3 The Circular Flows

60. In the circular flow model, which of the following is on the buying side in the goods market?

- i. Firms
 - ii. Households
 - iii. Federal, state and local governments
- A) i only
 - B) ii only
 - C) iii only
 - D) i and ii
 - E) ii and iii

Answer: E

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-Head:2.3 The Circular Flows

61. In the circular flow model, which of the following is on the selling side in the goods market?

- A) Exporters
- B) Both firms and households
- C) Firms only
- D) Federal, state and local governments
- E) Households only

Answer: C

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-Head:2.3 The Circular Flows

62. In the circular flow model, the factor markets are the markets in which

- A) government goods and services are provided.
- B) land, labour, capital and entrepreneurship are bought and sold.
- C) governments impose all their taxes.
- D) investment goods and services are bought and sold.
- E) consumption goods and services are bought and sold.

Answer: B

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-Head:2.3 The Circular Flows

63. A money flow in the circular flow diagram is

- i. the government's collection of taxes.
- ii. Ford's production of SUVs.
- iii. Nike's payment of wages to its workers.

- A) ii and iii
- B) i, ii and iii
- C) i and iii
- D) i only
- E) ii only

Answer: C

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-Head:2.3 The Circular Flows

64. A real flow in the circular flow diagram is

- i. a firm's payments of wages to its workers.
- ii. a household's purchase of a new car.
- iii. a farmer's use of land to grow corn.

- A) i and iii
- B) i only
- C) ii only
- D) ii and iii
- E) i, ii and iii

Answer: D

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-Head:2.3 The Circular Flows

65. An example of a real flow in the circular flow diagram is

- A) Nike's payment of wages to workers in China.
- B) your council's collection of property taxes.
- C) a household's supply of work effort at its new business.
- D) the government's payment of wages to a soldier.
- E) a teacher's salary at the local high school.

Answer: C

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-Head:2.3 The Circular Flows

66. An example of a money flow in the circular flow diagram is

- A) a firm's production of goods to sell to a foreign country.
- B) a student's payment of tuition to her university.
- C) a farmer's use of land to grow wheat.

D) the government's operation of the court system.

E) the government's financing of the national debt.

Answer: B

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-Head:2.3 The Circular Flows

67. In the factor market, firms _____ and households _____.

A) supply land, labour, capital and entrepreneurship services; hire land, labour, capital and entrepreneurship services

B) supply goods and services; purchase goods and services

C) pay rent, wages, interest and profit; earn rent, wages, interest and profit

D) hire land, labour, capital and entrepreneurship services; purchase goods and services

E) purchase goods and services; supply goods and services

Answer: C

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-Head:2.3 The Circular Flows

68. In the circular flow model, which of the following flows in the opposite direction to the flow of factors of production?

A) Interests payments of federal, state and local governments

B) The goods market

C) Finished goods and services

D) Wages, rent, interest and profit

E) Firm's profit incentives

Answer: D

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-Head:2.3 The Circular Flows

69. Terri is enrolled in her first economics course. She is required to give a presentation about the circular flow. Which of the following statements should she include in her presentation?

- A) Households receive wages for the amount of entrepreneurship they provide to firms.
- B) Firms pay wages for the amount of entrepreneurship they provide to households.
- C) Households choose the amount of the factors of production to provide to firms.
- D) Firms choose the amount of the factors of production to provide to households.
- E) The flows of goods and services and payments for the goods and services flow in the same direction.

Answer: C

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-Head:2.3 The Circular Flows

70. In the circular flow model with the government sector, transfers

- A) to firms flow in the same direction as rent, wages, interest and profits.
- B) flow in the opposite direction to taxes.
- C) to households flow in the same direction as expenditures on goods and services.
- D) flow only through the goods market.
- E) flow in the same direction as taxes.

Answer: B

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-Head:2.3 The Circular Flows

71. In the circular flow model with the government sector, taxes

- A) on households flow in the same direction as goods and services.
- B) flow in the opposite direction to transfers.
- C) flow from the goods market to the factor markets.
- D) on firms flow in the same direction as factors of production.
- E) flow in the same direction as transfers.

Answer: B

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-Head:2.3 The Circular Flows

72. Which of the following is NOT shown explicitly in the circular flow model?

- A) The taxes the government collects from households
- B) The legal system
- C) The transfers the government makes to households
- D) The government's purchases in the goods market
- E) The government's interaction with firms

Answer: B

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-Head:2.3 The Circular Flows

73. Which of the following is a function of the Australian federal government?

- A) Distributing private goods and services
- B) Deciding for whom firms should produce goods and services
- C) Providing the legal and social framework for economic activity
- D) Determining what wages firms will pay their workers.
- E) Deciding how much to produce of private goods and services

Answer: C

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-Head:2.3 The Circular Flows

74. Which of the following is NOT a function of the federal government?

- A) Imposing a personal income tax
- B) Providing public goods and services

- C) Making transfers to state and local governments
- D) Making social security and welfare payments
- E) Collecting property taxes

Answer: E

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-Head:2.3 The Circular Flows

75. Tax revenues are transferred from

- A) one state government to other state governments.
- B) the state and local governments to the federal government.
- C) the federal government to state and local governments.
- D) state governments to the federal government.
- E) local governments to state and federal governments.

Answer: C

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-Head:2.3 The Circular Flows

76. State and local governments finance expenditures mainly from

- A) private bank loans.
- B) lottery funds.
- C) funds provided by the federal government.
- D) government bonds issued at the state level.
- E) tax revenue.

Answer: C

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-Head:2.3 The Circular Flows

77. Which of the following are sources of revenue for state and local governments?

- i. Property taxes
- ii. Stamp duties
- iii. Transfers from the federal government

A) i, ii and iii

B) i and iii

C) ii and iii

D) i and ii

E) i only

Answer: A

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-Head:2.3 The Circular Flows

78. Households and firms in the Australian economy interact with those in the rest of the world in the _____ market and in the _____ market.

A) goods; financial

B) firm; government

C) financial; factor

D) government; goods

E) goods; factor

Answer: A

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-Head:2.3 The Circular Flows

79. An example of an Australian export is

A) matchbooks made in Mexico sold to a buyer in New Jersey.

B) a TV made in China sold to a buyer in Azerbaijan.

- C) a washing machine made in Adelaide sold to a buyer in France.
- D) diamonds mined in Africa sold to buyers in South America.
- E) pasta made in Italy sold to buyers in Spain.

Answer: C

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-Head:2.3 The Circular Flows

80. A market is defined as

- A) a place where money is exchanged for goods.
- B) another name for a store.
- C) the physical place where goods and services are sold.
- D) the physical place where goods (but not services) are sold.
- E) any arrangement that brings buyers and sellers together.

Answer: E

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-Head:2.3 The Circular Flows

81. _____ choose the quantities of goods and services to produce, while _____ choose the quantities of goods and services to buy

- A) Firms; households and the government
- B) The government; firms
- C) Households; the government
- D) Households; firms
- E) Firms; only households

Answer: A

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-Head:2.3 The Circular Flows

82. _____ choose the quantities of factors of production to hire and _____ choose the quantities of goods and services to produce.

- A) Entrepreneurs; firms
- B) Factor markets; goods markets
- C) Firms; households
- D) Markets; markets
- E) Firms; firms

Answer: E

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-Head:2.3 The Circular Flows

83. A circular flow model shows the interrelationship between the _____ market and the _____ markets.

- A) expenditure; income
- B) household; factor
- C) household; goods
- D) business; household
- E) goods; factor

Answer: E

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-Head:2.3 The Circular Flows

84. Households receive transfers from _____ and firms receive transfers from _____.

- A) firms and the government; the government
- B) the government; no one

- C) firms; households
- D) the government; the government
- E) the government; the government and households

Answer: D

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-Head:2.3 The Circular Flows

85. Australian exports of goods and services flow to households and firms in _____ and Australian financial inflows of capital flow to households and firms in _____.

- A) Australia; Australia
- B) the rest of the world; Australia
- C) Australia; the rest of the world
- D) the rest of the world; the rest of the world
- E) Australia; the rest of the world and Australia

Answer: B

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-Head: 2.3 The Circular Flows