

Exam
Name _____

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

Answer: E

Diff: 0 Type: MC

Skill: Level 1

A-Head: 2.1 What, How and For Whom

AACSB: Reflective thinking

2) Items bought by individuals to provide personal enjoyment are termed

- A) personal goods.
- B) consumption goods.
- C) consumption or investment goods.
- D) pleasure goods.
- E) standard goods.

Answer: B

Diff: 0 Type: MC

Skill: Level 1

A-Head: 2.1 What, How and For Whom

AACSB: Reflective thinking

3) What would be an example of a consumption good?

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

Answer: C

Diff: 0 Type: MC

Skill: Level 2

A-Head: 2.1 What, How and For Whom

AACSB: Reflective thinking

4) Which of the following is a consumption good or service?

- A) A personal computer purchased in order to play games at home.
- B) A FedEx truck delivering Christmas gifts.
- 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: A

Diff: 0 Type: MC

Skill: Level 2

A-Head: 2.1 What, How and For Whom

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AACSB: Reflective thinking

5) What would be an example of a consumption service?

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

Answer: E

Diff: 0 Type: MC

Skill: Level 2

A-Head: 2.1 What, How and For Whom

AACSB: Reflective thinking

6) The largest share of total production in Australia is

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

Answer: C

Diff: 0 Type: MC

Skill: Level 1

A-Head: 2.1 What, How and For Whom

AACSB: Reflective thinking

7) Items bought by businesses to help produce other goods and services are called

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

Answer: D

Diff: 0 Type: MC

Skill: Level 1

A-Head: 2.1 What, How and For Whom

AACSB: Reflective thinking

8) Which of the following is NOT considered a consumption good?

- A) Nike running shoes
- B) Marriage counselling services
- C) An Australian government bond
- D) A Subway sandwich
- E) An Australia Post delivery van

Answer: E

Diff: 0 Type: MC

Skill: Level 2

A-Head: 2.1 What, How and For Whom

AACSB: Application of knowledge

9) An item that is purchased to increase businesses' productive resources is

- A) an export.
- B) a productive good.
- C) a government good.
- D) a consumption good.
- E) a capital good.

Answer: E

Diff: 0 Type: MC

Skill: Level 1

A-Head: 2.1 What, How and For Whom

AACSB: Reflective thinking

10) What would be an example of a capital good?

- A) The local driver's licence office purchases a new digital camera and printer.
- B) Antonio, the manager of the local fish and chip shop, purchases a new deep fryer.
- C) Rhianna gets a haircut.
- D) Apple sells computers to Japan.
- E) Jeanette buys a new dress.

Answer: B

Diff: 0 Type: MC

Skill: Level 2

A-Head: 2.1 What, How and For Whom

AACSB: Reflective thinking

11) The difference between consumption and capital goods is that

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

Answer: A

Diff: 0 Type: MC

Skill: Level 1

A-Head: 2.1 What, How and For Whom

AACSB: Reflective thinking

12) Which of the following is NOT considered an example of a capital good?

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

Answer: A

Diff: 0 Type: MC

Skill: Level 2

A-Head: 2.1 What, How and For Whom

AACSB: Application of knowledge

13) Goods and services bought by the government account for about _____ per cent of total production.

- A) 17
- B) 67
- C) 35
- D) 2
- E) 8

Answer: A

Diff: 0 Type: MC

Skill: Level 1

A-Head: 2.1 What, How and For Whom

AACSB: Reflective thinking

14) What would be an example of a government good?

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

Answer: D

Diff: 0 Type: MC

Skill: Level 2

A-Head: 2.1 What, How and For Whom

AACSB: Reflective thinking

15) Goods produced in Australia and sold in other countries are called

- A) capital account goods.
- B) exports.
- C) capital goods.
- D) imports.
- E) foreign goods.

Answer: B

Diff: 0 Type: MC

Skill: Level 1

A-Head: 2.1 What, How and For Whom

AACSB: Reflective thinking

16) An export good is a good produced

- A) in another country and purchased by foreigners not residing in Australia.
- B) in another country and purchased by Australian residents.
- C) in Australia and sold to foreigners living in Australia.
- D) in Australia and sold in other countries.
- E) by foreigners in Australia and purchased by Australian households.

Answer: D

Diff: 0 Type: MC

Skill: Level 1

A-Head: 2.1 What, How and For Whom

AACSB: Reflective thinking

17) Computers and insurance coverage produced in Australia and sold to people in other nations are categorised as

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

Answer: B

Diff: 0 Type: MC

Skill: Level 2

A-Head: 2.1 What, How and For Whom

AACSB: Reflective thinking

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

- A) consumption service.
- B) import.
- C) export good.
- D) government good.
- E) capital good.

Answer: C

Diff: 0 Type: MC

Skill: Level 2

A-Head: 2.1 What, How and For Whom

AACSB: Reflective thinking

19) Over the past 70 years, which of the following has occurred?

- i. The service sector has grown so that now about 80 per cent of workers are employed in the service industry.
- ii. The manufacturing sector has shrunk, so now about 20 per cent of workers are employed in the production of goods.
- iii. The percentage of workers employed in the service industry has increased steadily.

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

Answer: E

Diff: 0 Type: MC

Skill: Level 2

A-Head: 2.1 What, How and For Whom

AACSB: Reflective thinking

20) Which of the following is NOT considered one of the factors of production?

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

Answer: D

Diff: 0 Type: MC

Skill: Level 1

A-Head: 2.1 What, How and For Whom

AACSB: Reflective thinking

21) 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, buildings, capital and entrepreneurship
- D) Labour, machines, buildings, capital and entrepreneurship
- E) Land, labour, capital and entrepreneurship

Answer: E

Diff: 0 Type: MC

Skill: Level 1

A-Head: 2.1 What, How and For Whom

AACSB: Reflective thinking

22) Which of the following is NOT considered a factor of production?

- A) Labour
- B) Money
- C) Entrepreneurial ideas
- D) Capital
- E) Land

Answer: B

Diff: 0 Type: MC

Skill: Level 1

A-Head: 2.1 What, How and For Whom

AACSB: Reflective thinking

23) Goods and services are produced by using four factors of production:

- A) labour, human capital, physical capital and financial capital.
- B) land, labour, capital and entrepreneurship.
- C) land, labour, capital and money.
- D) land, labour, money and equipment.
- E) natural resources, human resources, financial assets and entrepreneurial resources.

Answer: B

Diff: 0 Type: MC

Skill: Level 1

A-Head: 2.1 What, How and For Whom

AACSB: Reflective thinking

24) Factors of production are the

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

Answer: E

Diff: 0 Type: MC

Skill: Level 1

A-Head: 2.1 What, How and For Whom

AACSB: Reflective thinking

25) The productive resource that includes all the 'gifts of nature' is called

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

Answer: D

Diff: 0 Type: MC

Skill: Level 1

A-Head: 2.1 What, How and For Whom

AACSB: Reflective thinking

26) Economists classify energy and water as part of which factor of production?

- A) Labour
- B) Entrepreneurship
- C) Capital
- D) Land if undeveloped and capital if developed
- E) Land

Answer: E

Diff: 0 Type: MC

Skill: Level 2

A-Head: 2.1 What, How and For Whom

AACSB: Reflective thinking

27) As a factor of production, oil reserves are counted as

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

Answer: C

Diff: 0 Type: MC

Skill: Level 2

A-Head: 2.1 What, How and For Whom

AACSB: Reflective thinking

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

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

Answer: D

Diff: 0 Type: MC

Skill: Level 1

A-Head: 2.1 What, How and For Whom

AACSB: Reflective thinking

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

Answer: A

Diff: 0 Type: MC

Skill: Level 2

A-Head: 2.1 What, How and For Whom

AACSB: Reflective thinking

30) The concept of human capital describes

- A) the number of machines per employed worker.
- B) the human population, that is, the quantity of labour.
- C) human skills, that is, the quality of labour.
- D) the number of machines (capital) that have been produced by people (humans).
- E) the number of workers per operating machine.

Answer: C

Diff: 0 Type: MC

Skill: Level 1

A-Head: 2.1 What, How and For Whom

AACSB: Reflective thinking

31) Which factor of production does human capital enhance?

- i. Land
 - ii. Labour
 - iii. Capital
- A) i only
 - B) ii only
 - C) iii only
 - D) i and ii
 - E) i, ii and iii

Answer: B

Diff: 0 Type: MC

Skill: Level 2

A-Head: 2.1 What, How and For Whom

AACSB: Reflective thinking

32) Human capital can be increased through

- A) investment in new technology.
- 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 machinery.

Answer: B

Diff: 0 Type: MC

Skill: Level 1

A-Head: 2.1 What, How and For Whom

AACSB: Reflective thinking

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

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

Answer: D

Diff: 0 Type: MC

Skill: Level 2

A-Head: 2.1 What, How and For Whom

AACSB: Reflective thinking

34) Jan is attending university and studying to be an investment broker. To improve her chances of employment following university, she has interned at a top brokerage firm during the last two summers. Jan's internship has increased her

- A) consumption services.
- B) entrepreneurship capital.
- C) natural labour.
- D) natural resources.
- E) human capital.

Answer: E

Diff: 0 Type: MC

Skill: Level 4

A-Head: 2.1 What, How and For Whom

AACSB: Reflective thinking

35) Which of the following is NOT directly related to human capital?

- A) A summer internship
- B) Knowledge of computer programming
- C) An MRI machine
- D) A university education
- E) An understanding of real estate markets

Answer: C

Diff: 0 Type: MC

Skill: Level 2

A-Head: 2.1 What, How and For Whom

AACSB: Application of knowledge

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

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

Answer: B

Diff: 0 Type: MC

Skill: Level 2

A-Head: 2.1 What, How and For Whom

AACSB: Reflective thinking

37) Capital, as a factor of production, refers to

- A) stocks and bonds but not money.
- B) the production factors imported from abroad.
- C) money, stocks and bonds.
- D) the production technology used by firms.
- E) the tools and instruments used to produce other goods and services.

Answer: E

Diff: 0 Type: MC

Skill: Level 1

A-Head: 2.1 What, How and For Whom

AACSB: Reflective thinking

38) The total value of capital in Australia is around

- A) \$10 trillion.
- B) \$50 trillion.
- C) \$100 trillion.
- D) \$79 trillion.
- E) \$145 trillion.

Answer: B

Diff: 0 Type: MC

Skill: Level 1

A-Head: 2.1 What, How and For Whom

AACSB: Reflective thinking

39) 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

Diff: 0 Type: MC

Skill: Level 1

A-Head: 2.1 What, How and For Whom

AACSB: Reflective thinking

40) Capital is a factor of production. An example of capital as a factor of production is

- A) stocks.
- B) money.
- C) education.
- D) bonds.
- E) machines.

Answer: E

Diff: 0 Type: MC

Skill: Level 1

A-Head: 2.1 What, How and For Whom

AACSB: Reflective thinking

41) One of the productive resources is capital. Capital includes

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

Answer: B

Diff: 0 Type: MC

Skill: Level 1

A-Head: 2.1 What, How and For Whom

AACSB: Reflective thinking

42) A newspaper printing press is an example of

- A) a factor of production.
- B) a good that was once an output of the production process.
- C) something that influences labour productivity.
- D) a capital good.
- E) All of the above are correct.

Answer: E

Diff: 0 Type: MC

Skill: Level 2

A-Head: 2.1 What, How and For Whom

AACSB: Application of knowledge

43) Which of the following is NOT considered capital?

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

Answer: B

Diff: 0 Type: MC

Skill: Level 1

A-Head: 2.1 What, How and For Whom

AACSB: Reflective thinking

44) Entrepreneurship, as a factor of production, refers to

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

Answer: E

Diff: 0 Type: MC

Skill: Level 1

A-Head: 2.1 What, How and For Whom

AACSB: Reflective thinking

45) The productive resource that organises labour, land and capital is

- A) capital.
- B) entrepreneurship.
- C) human capital.
- D) financial capital.
- E) government.

Answer: B

Diff: 0 Type: MC

Skill: Level 1

A-Head: 2.1 What, How and For Whom

AACSB: Reflective thinking

46) Payments to the factors of production are

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

Answer: A

Diff: 0 Type: MC

Skill: Level 1

A-Head: 2.1 What, How and For Whom

AACSB: Reflective thinking

47) _____ paid for the use of land; _____ paid for the services of labour; and _____ paid for the use of capital.

- A) Rent is; interest is; wages are
- B) Rent is; wages are; profit is
- C) Interest is; wages are; profit is
- D) Mortgages are; interest is; wages are
- E) Rent is; wages are; interest is

Answer: E

Diff: 0 Type: MC

Skill: Level 2

A-Head: 2.1 What, How and For Whom

AACSB: Reflective thinking

48) The income paid for the use of land is called

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

Answer: A

Diff: 0 Type: MC

Skill: Level 1

A-Head: 2.1 What, How and For Whom

AACSB: Reflective thinking

49) The income paid to labour is called

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

Answer: D

Diff: 0 Type: MC

Skill: Level 1

A-Head: 2.1 What, How and For Whom

AACSB: Reflective thinking

50) Which factor of production is paid 'interest'?

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

Answer: B

Diff: 0 Type: MC

Skill: Level 1

A-Head: 2.1 What, How and For Whom

AACSB: Reflective thinking

51) The owners of the resource _____ are paid _____.

- A) labour; profit
- B) entrepreneurship; wages
- C) capital; rent
- D) land; wages
- E) capital; interest

Answer: E

Diff: 0 Type: MC

Skill: Level 2

A-Head: 2.1 What, How and For Whom

AACSB: Reflective thinking

52) Which factor of production is paid 'profit'?

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

Answer: B

Diff: 0 Type: MC

Skill: Level 1

A-Head: 2.1 What, How and For Whom

AACSB: Reflective thinking

53) The functional distribution of income measures which of the following?

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

Answer: D

Diff: 0 Type: MC

Skill: Level 1

A-Head: 2.1 What, How and For Whom

AACSB: Reflective thinking

54) In Australia, the productive factor that, as a group, receives the largest fraction of the nation's total income is

- A) consumption goods and services.
- B) land.
- C) labour.
- D) capital.
- E) entrepreneurship.

Answer: C

Diff: 0 Type: MC

Skill: Level 1

A-Head: 2.1 What, How and For Whom

AACSB: Reflective thinking

55) 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) capital earns most of the income.
- D) labour earns most of the income.
- E) land earns most of the income.

Answer: D

Diff: 0 Type: MC

Skill: Level 1

A-Head: 2.1 What, How and For Whom

AACSB: Reflective thinking

56) The data show that more than 60 per cent of the total income earned in Australia goes to

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

Answer: A

Diff: 0 Type: MC

Skill: Level 1

A-Head: 2.1 What, How and For Whom

AACSB: Reflective thinking

57) The majority of the income earned in Australia is paid in

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

Answer: C

Diff: 0 Type: MC

Skill: Level 2

A-Head: 2.1 What, How and For Whom

AACSB: Reflective thinking

58) The personal distribution of income measures which of the following?

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

Answer: E

Diff: 0 Type: MC

Skill: Level 1

A-Head: 2.1 What, How and For Whom

AACSB: Reflective thinking

59) In Australia, the poorest 20 per cent of households earn roughly _____ per cent of total income.

- A) 15
- B) 0.5
- C) 10
- D) 3
- E) 20

Answer: D

Diff: 0 Type: MC

Skill: Level 1

A-Head: 2.1 What, How and For Whom

AACSB: Reflective thinking

60) The personal distribution of income in Australia shows that

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

Answer: C

Diff: 0 Type: MC

Skill: Level 3

A-Head: 2.1 What, How and For Whom

AACSB: Reflective thinking

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

- A) 51 per cent
- B) 21 per cent
- C) 99 per cent
- D) 91 per cent
- E) 23 per cent

Answer: A

Diff: 0 Type: MC

Skill: Level 1

A-Head: 2.1 What, How and For Whom

AACSB: Reflective thinking

62) When the total Australian production of goods and services is divided into consumption goods and services, capital goods, government goods and services, and export goods and services, the largest component is

- A) capital goods and government goods and services tie for the largest component.
- B) capital goods.
- C) consumption goods and services.
- D) export goods and services.
- E) government goods and services.

Answer: C

Diff: 0 Type: MC

Skill: Level 2

A-Head: 2.1 What, How and For Whom

AACSB: Reflective thinking

63) An example of a capital good is

- A) a haircut.
- B) a fibre optic cable TV system.
- C) an insurance policy.
- D) a slice of pizza.
- E) an iPod.

Answer: B

Diff: 0 Type: MC

Skill: Level 2

A-Head: 2.1 What, How and For Whom

AACSB: Reflective thinking

64) Goods and services produced in Australia and sold in other countries are called

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

Answer: E

Diff: 0 Type: MC

Skill: Level 2

A-Head: 2.1 What, How and For Whom

AACSB: Reflective thinking

65) Which of the following correctly lists the categories of factors of production?

- A) Machines, buildings, land and money
- B) Hardware, software, land and money
- C) Capital, money and labour
- D) Land, labour, capital and entrepreneurship
- E) Owners, workers and consumers

Answer: D

Diff: 0 Type: MC

Skill: Level 1

A-Head: 2.1 What, How and For Whom

AACSB: Reflective thinking

66) In economics, the factor of production 'land' includes all of the following EXCEPT

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

Answer: E

Diff: 0 Type: MC

Skill: Level 2

A-Head: 2.1 What, How and For Whom

AACSB: Reflective thinking

67) Human capital is

- A) the knowledge humans accumulate through education and experience.
- B) machinery that needs human supervision.
- C) any type of machinery.
- D) solely the innate ability we are born with.
- E) the money humans have saved.

Answer: A

Diff: 0 Type: MC

Skill: Level 1

A-Head: 2.1 What, How and For Whom

AACSB: Reflective thinking

68) When Ethan continues his education beyond high school he is increasing his

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

Answer: A

Diff: 0 Type: MC

Skill: Level 2

A-Head: 2.1 What, How and For Whom

AACSB: Reflective thinking

69) _____ is the human resource that organises labour, land and capital.

- A) Entrepreneurship
- B) Profit
- C) Human skill
- D) Human capital
- E) A gift of nature

Answer: A

Diff: 0 Type: MC

Skill: Level 2

A-Head: 2.1 What, How and For Whom

AACSB: Reflective thinking

70) Wages are paid to _____ and interest is paid to _____.

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

Answer: D

Diff: 0 Type: MC

Skill: Level 1

A-Head: 2.1 What, How and For Whom

AACSB: Reflective thinking

71) The income earned by entrepreneurs is

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

Answer: B

Diff: 0 Type: MC

Skill: Level 1

A-Head: 2.1 What, How and For Whom

AACSB: Reflective thinking

72) Dividing the nation's income among the factors of production, the largest percentage is paid to

- A) labour.
- B) labour and capital, with each receiving about 41 per cent of the total income.
- C) land.
- D) capital.
- E) entrepreneurship.

Answer: A

Diff: 0 Type: MC

Skill: Level 1

A-Head: 2.1 What, How and For Whom

AACSB: Reflective thinking

73) _____ earns the highest amount of income among the factors of production in Australia.

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

Answer: E

Diff: 0 Type: MC

Skill: Level 1

A-Head: 2.1 What, How and For Whom

AACSB: Reflective thinking

74) In Australia, the richest 20 per cent of households receive about _____ per cent of total income.

- A) 15
- B) 4
- C) 50
- D) 33
- E) 23

Answer: C

Diff: 0 Type: MC

Skill: Level 1

A-Head: 2.1 What, How and For Whom

AACSB: Reflective thinking

75) In Australia, the poorest 20 per cent of households receive about _____ per cent of total income.

- A) 15
- B) 23
- C) 49
- D) 20
- E) 3

Answer: E

Diff: 0 Type: MC

Skill: Level 1

A-Head: 2.1 What, How and For Whom

AACSB: Reflective thinking

76) The personal distribution of income shows

- A) that labour receives the largest percentage of total income.
- B) that the poorest 20 per cent of households receive less than 4 per cent of total income.
- C) that the richest 20 per cent of households receive 23 per cent of total income.
- D) that interest accounts for most of the income of the richest 20 per cent of households.
- E) how profit accounts for the largest fraction of total income.

Answer: B

Diff: 0 Type: MC

Skill: Level 1

A-Head: 2.1 What, How and For Whom

AACSB: Reflective thinking

77) Compared to the world, the rate of Australian population growth is

- A) about the same as in the world as a whole.

- B) much faster than in the world as a whole.
- C) incomparable because we do not have accurate world population statistics.
- D) incomparable because Australian residents are born with a much greater chance of accumulating a lot of human capital.
- E) slower than in the world as a whole.

Answer: E

Diff: 0 Type: MC

Skill: Level 1

A-Head: 2.2 The Global Economy

AACSB: Reflective thinking

78) Approximately _____ people live in Australia and _____ people live in the world.

- A) 23 million; 8 billion
- B) 21 million; 6 billion
- C) 32 million; 5 billion
- D) 23 million; 7 billion
- E) 23 million; 3 billion

Answer: D

Diff: 0 Type: MC

Skill: Level 1

A-Head: 2.2 The Global Economy

AACSB: Reflective thinking

79) The most people live in _____ economies and the fewest people live in _____ economies.

- A) developing; advanced
- B) emerging market; developing
- C) advanced; developing
- D) advanced; emerging market
- E) developing; emerging market

Answer: E

Diff: 0 Type: MC

Skill: Level 1

A-Head: 2.2 The Global Economy

AACSB: Reflective thinking

80) When describing the IMF broad country classification, the most accurate statement is that

- A) the category with the greatest number of countries is the advanced economies.
- B) the emerging market economies are countries that were, until the early 1990s, part of the Soviet Union or its satellites.
- C) 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.
- D) most of the world's population lives in advanced economies.
- E) most of the nations in Western Europe are considered emerging market economies.

Answer: B

Diff: 0 Type: MC

Skill: Level 1

A-Head: 2.2 The Global Economy

AACSB: Reflective thinking

81) Which of the following is NOT classified as an advanced economy?

- A) South Korea

- B) the United Kingdom
- C) Australia
- D) Russia
- E) Canada

Answer: D

Diff: 0 Type: MC

Skill: Level 2

A-Head: 2.2 The Global Economy

AACSB: Reflective thinking

82) Australia is classified by the International Monetary Fund as

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

Answer: B

Diff: 0 Type: MC

Skill: Level 2

A-Head: 2.2 The Global Economy

AACSB: Reflective thinking

83) _____ economies include _____.

- A) Emerging; Taiwan, Russia and Singapore
- B) Advanced; France, Australia and South Korea
- C) Advanced; Russia, Canada and Singapore
- D) Emerging; Saudi Arabia, Poland and Taiwan
- E) Advanced; the U.S., Taiwan and Russia

Answer: B

Diff: 0 Type: MC

Skill: Level 2

A-Head: 2.2 The Global Economy

AACSB: Reflective thinking

84) Most countries in the world are classified as

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

Answer: A

Diff: 0 Type: MC

Skill: Level 1

A-Head: 2.2 The Global Economy

AACSB: Reflective thinking

85) Most of the world's population lives in

- A) transition economies.
- B) advanced economies.

- C) developing economies.
- D) island nations.
- E) emerging market economies.

Answer: C

Diff: 0 Type: MC

Skill: Level 1

A-Head: 2.2 The Global Economy

AACSB: Reflective thinking

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

Answer: B

Diff: 0 Type: MC

Skill: Level 1

A-Head: 2.2 The Global Economy

AACSB: Reflective thinking

87) Nigeria would be classified by the International Monetary Fund as

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

Answer: D

Diff: 0 Type: MC

Skill: Level 2

A-Head: 2.2 The Global Economy

AACSB: Reflective thinking

88) _____ economies include _____.

- A) Developing; China and Poland
- B) Emerging; Poland and Brazil
- C) Emerging; China and Canada
- D) Developing; Poland and Russia
- E) Developing; Saudi Arabia and South Africa

Answer: E

Diff: 0 Type: MC

Skill: Level 2

A-Head: 2.2 The Global Economy

AACSB: Reflective thinking

- 89) Poland is classified as
- A) a transition economy.
 - B) a private economy.
 - C) an emerging market economy.
 - D) a developing economy.
 - E) an advanced economy.

Answer: C

Diff: 0 Type: MC

Skill: Level 2

A-Head: 2.2 The Global Economy

AACSB: Reflective thinking

- 90) The majority of the value of production in the world economy is produced in
- A) all of the developing economies taken together.
 - B) China and other Asian developing economies.
 - C) all of Africa and the Middle East taken together.
 - D) all of the advanced economies taken together.
 - E) all of the emerging market economies taken together.

Answer: D

Diff: 0 Type: MC

Skill: Level 1

A-Head: 2.2 The Global Economy

AACSB: Reflective thinking

- 91) Which of the following correctly describes how the 'global pie is baked'?
- A) The increase in manufacturing has taken place mainly in the advanced economies.
 - B) The United States' share of the economic pie is increasing while China's share is decreasing.
 - C) Asia accounts for about 40 per cent of the global pie.
 - D) Advanced economies account for about 50 per cent of the value of the world's production.
 - E) Emerging economies account for about 25 per cent of the global pie.

Answer: D

Diff: 0 Type: MC

Skill: Level 2

A-Head: 2.2 The Global Economy

AACSB: Reflective thinking

- 92) 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) more advanced economies typically have more sophisticated technology.
 - D) advanced economies produce 53 per cent of the world's income.
 - E) students in India study the same subjects as those in Australia.

Answer: C

Diff: 0 Type: MC

Skill: Level 2

A-Head: 2.2 The Global Economy

AACSB: Reflective thinking

- 93) The charitable organisation Creating Hope International trains women in Afghanistan to become tailors. This effort

reduces

- A) entrepreneurship differences between advanced and developing economies.
- B) agricultural differences between advanced and developing economies.
- C) human capital differences between advanced and developing economies.
- D) physical capital differences between advanced and developing economies.
- E) manufacturing differences between advanced and developing economies.

Answer: C

Diff: 0 Type: MC

Skill: Level 2

A-Head: 2.2 The Global Economy

AACSB: Reflective thinking

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

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

Answer: C

Diff: 0 Type: MC

Skill: Level 2

A-Head: 2.2 The Global Economy

AACSB: Reflective thinking

95) Of the following, the country with the highest average income per day in the world is

- A) France.
- B) the United States.
- C) China.
- D) Japan.
- E) Germany.

Answer: B

Diff: 0 Type: MC

Skill: Level 2

A-Head: 2.2 The Global Economy

AACSB: Reflective thinking

96) Income equality has

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

Answer: C

Diff: 0 Type: MC

Skill: Level 2

A-Head: 2.2 The Global Economy

AACSB: Reflective thinking

97) The world population is approximately _____ people.

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

Answer: A

Diff: 0 Type: MC

Skill: Level 1

A-Head: 2.2 The Global Economy

AACSB: Reflective thinking

98) Which of the following statements is true?

- A) Income inequality across the entire world has decreased during the past 20 years.
- B) Income inequality within most countries has increased during the past 20 years.
- C) Income inequality within most countries and across the entire world has not changed much during the past 20 years.
- D) Both A and B are correct.
- E) None of the above is correct.

Answer: D

Diff: 0 Type: MC

Skill: Level 2

A-Head: 2.2 The Global Economy

AACSB: Reflective thinking

99) The percentage of the world's population that lives in the advanced economies is

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

Answer: C

Diff: 0 Type: MC

Skill: Level 1

A-Head: 2.2 The Global Economy

AACSB: Reflective thinking

100) Which of following groups of countries are *all* advanced economies?

- A) Canada, Japan, France and the United Kingdom
- B) Australia, Brazil and the United States
- C) Italy, Australia, China and Russia
- D) Mexico, Canada, Germany and Egypt
- E) Singapore, Russia, France and Chad

Answer: A

Diff: 0 Type: MC

Skill: Level 1

A-Head: 2.2 The Global Economy

AACSB: Reflective thinking

101) The emerging market economies are

- A) most of the nations of Western Europe.
- B) the largest grouping including the nations of China and India.
- 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

Diff: 0 Type: MC

Skill: Level 1

A-Head: 2.2 The Global Economy

AACSB: Reflective thinking

102) 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; 39
- B) 19; 73
- C) 30; 46
- D) 23; 62
- E) 53; 12

Answer: A

Diff: 0 Type: MC

Skill: Level 1

A-Head: 2.2 The Global Economy

AACSB: Reflective thinking

103) Compared to the developing economies, the advanced economies have _____ human capital and _____ physical capital.

- A) less; less
- B) less; more
- C) the same; the same
- D) more; less
- E) more; more

Answer: E

Diff: 0 Type: MC

Skill: Level 1

A-Head: 2.2 The Global Economy

AACSB: Reflective thinking

104) In the advanced economies, _____ of the factories use advanced capital equipment and in the developing economies _____ of the factories use advanced capital equipment.

- A) virtually all; none
- B) virtually all; some
- C) virtually all; virtually all
- D) some; some
- E) some; none of

Answer: B

Diff: 0 Type: MC

Skill: Level 1

A-Head: 2.2 The Global Economy

AACSB: Reflective thinking

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

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

Answer: B

Diff: 0 Type: MC

Skill: Level 1

A-Head: 2.2 The Global Economy

AACSB: Reflective thinking

106) _____ the owners of the factors of production, while _____ what amounts of those factors to hire.

- A) Firms are; the government determines
- B) Households are; the government determines
- C) Households are; firms determine
- D) Firms are; households determine
- E) The government is; firms determine

Answer: C

Diff: 0 Type: MC

Skill: Level 1

A-Head: 2.3 The Circular Flows

AACSB: Reflective thinking

107) What two groups of decision makers are represented in the basic circular flow model?

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

Answer: D

Diff: 0 Type: MC

Skill: Level 1

A-Head: 2.3 The Circular Flows

AACSB: Reflective thinking

108) Dan missed class the day his lecturer covered the circular flow model. Dan asked his friend Joan to explain markets to him. Joan correctly stated that a market

- A) requires a physical location for buyers and sellers to get together.
- B) must have many buyers and only one seller, who is willing to sell to all the buyers.
- C) is any arrangement that brings buyers and sellers together.
- D) must include a written contract between buyers and sellers.
- E) is only a place to purchase groceries.

Answer: C

Diff: 0 Type: MC

Skill: Level 2

A-Head: 2.3 The Circular Flows

AACSB: Reflective thinking

- 109) The decisions of firms and households are
- A) made independently of one another.
 - B) coordinated by but not totally controlled by the government.
 - C) coordinated by markets.
 - D) controlled by but not totally coordinated by the government.
 - E) unexplainable by the circular flow model.

Answer: C

Diff: 0 Type: MC

Skill: Level 1

A-Head: 2.3 The Circular Flows

AACSB: Reflective thinking

- 110) The circular flow model is used to show the
- A) expansions and contractions of economic activity.
 - B) flow of expenditures and incomes in the economy.
 - C) flow of supply and the flow of demand.
 - D) recycling process of production materials.
 - E) flow of renewable natural resources.

Answer: B

Diff: 0 Type: MC

Skill: Level 1

A-Head: 2.3 The Circular Flows

AACSB: Reflective thinking

- 111) The circular flow model shows the
- A) flow of natural resources from firms to the private market to government and back to firms.
 - B) distribution of income and consumption goods across income levels.
 - C) combinations of the factors of production needed to produce goods and services.
 - D) flow of expenditure and incomes that arise from the households', firms' and government's decisions.
 - E) distribution of income to the different factors of production.

Answer: D

Diff: 0 Type: MC

Skill: Level 1

A-Head: 2.3 The Circular Flows

AACSB: Reflective thinking

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

Answer: C

Diff: 0 Type: MC

Skill: Level 1

A-Head: 2.3 The Circular Flows

AACSB: Reflective thinking

113) In the circular flow model, there are two types of markets: the _____ market and the _____ market.

- A) service; goods
- B) goods; factor
- C) supply; demand
- D) households; firms
- E) producers; consumers

Answer: B

Diff: 0 Type: MC

Skill: Level 1

A-Head: 2.3 The Circular Flows

AACSB: Reflective thinking

114) In the circular flow model, consumption goods are bought and sold in the

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

Answer: A

Diff: 0 Type: MC

Skill: Level 1

A-Head: 2.3 The Circular Flows

AACSB: Reflective thinking

115) 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

Diff: 0 Type: MC

Skill: Level 1

A-Head: 2.3 The Circular Flows

AACSB: Reflective thinking

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

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

Answer: B

Diff: 0 Type: MC

Skill: Level 1

A-Head: 2.3 The Circular Flows

AACSB: Reflective thinking

117) The circular flow model shows that goods and services flow from

- A) the factor markets to the goods markets.
- B) the factor market to businesses.
- C) households to business.
- D) businesses to households.
- E) the goods market to businesses.

Answer: D

Diff: 0 Type: MC

Skill: Level 1

A-Head: 2.3 The Circular Flows

AACSB: Reflective thinking

118) As the circular flow model points out, a choice that households make is how

- A) much labour is hired.
- B) much the government will collect in taxes and how much the government will spend on transfer payments.
- C) many resources a firm will hire.
- D) many goods and services are produced.
- E) many goods and services are purchased.

Answer: E

Diff: 0 Type: MC

Skill: Level 1

A-Head: 2.3 The Circular Flows

AACSB: Reflective thinking

119) In the circular flow model, which of the following owns the factors of production?

- A) Firms, households and all levels of government
- B) Both firms and households
- C) Only firms
- D) Only federal, state and local governments
- E) Only households

Answer: E

Diff: 0 Type: MC

Skill: Level 1

A-Head: 2.3 The Circular Flows

AACSB: Reflective thinking

120) In the circular flow model, the factor markets are the markets in which

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

Answer: B

Diff: 0 Type: MC

Skill: Level 1

A-Head: 2.3 The Circular Flows

AACSB: Reflective thinking

121) 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 only
- C) ii only
- D) i, ii and iii
- E) i and iii

Answer: E

Diff: 0 Type: MC

Skill: Level 2

A-Head: 2.3 The Circular Flows

AACSB: Reflective thinking

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

Answer: B

Diff: 0 Type: MC

Skill: Level 2

A-Head: 2.3 The Circular Flows

AACSB: Reflective thinking

123) An example of a real flow in the circular flow diagram is

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

Answer: C

Diff: 0 Type: MC

Skill: Level 2

A-Head: 2.3 The Circular Flows

AACSB: Reflective thinking

124) An example of a money flow in the circular flow diagram is

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

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

Answer: C

Diff: 0 Type: MC

Skill: Level 2

A-Head: 2.3 The Circular Flows

AACSB: Reflective thinking

125) As the circular flow model shows, the factors of production flow from

A) the goods market through firms to the factor markets.

B) households to firms through the factor market.

C) firms to households through the goods market.

D) firms to households through the factor market.

E) households to firms through the goods market.

Answer: B

Diff: 0 Type: MC

Skill: Level 2

A-Head: 2.3 The Circular Flows

AACSB: Reflective thinking

126) In the circular flow model, the factors of production flow in the

A) same direction as the rents, wages, interest and profits.

B) opposite direction to the government.

C) opposite direction to the rents, wages, interest and profits.

D) same direction as the goods market.

E) opposite direction to the goods market.

Answer: C

Diff: 0 Type: MC

Skill: Level 4

A-Head: 2.3 The Circular Flows

AACSB: Reflective thinking

127) In the goods market, firms _____ and households _____.

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

B) supply goods and services; purchase goods and services

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

D) purchase goods and services; supply goods and services

E) hire land, labour, capital and entrepreneurship services; supply goods and services

Answer: B

Diff: 0 Type: MC

Skill: Level 1

A-Head: 2.3 The Circular Flows

AACSB: Reflective thinking

128) In the factor market, firms _____ and households _____.

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

B) purchase goods and services; supply goods and services

C) supply goods and services; purchase goods and services

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

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

Answer: A

Diff: 0 Type: MC

Skill: Level 1

A-Head: 2.3 The Circular Flows

AACSB: Reflective thinking

129) Which of the following transactions takes place in factor markets?

- A) Justin receives \$30 in exchange for mowing his mother's lawn.
- B) Lucille receives a \$500 cheque from Centrelink.
- C) Jake purchases 1,000 shares of stock in Qantas through his online trading account.
- D) Henry receives a commission from his employer for selling a new automobile.
- E) Sam enters the winning bid on a grand piano at a local auction.

Answer: D

Diff: 0 Type: MC

Skill: Level 2

A-Head: 2.3 The Circular Flows

AACSB: Application of knowledge

130) Which markets are depicted in the basic circular flow model?

- A) The goods market and the factor market
- B) The factor market and the bond market
- C) The stock market and the bond market
- D) The goods market and the stock market
- E) The money market and the foreign exchange market

Answer: A

Diff: 0 Type: MC

Skill: Level 1

A-Head: 2.3 The Circular Flows

AACSB: Reflective thinking

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

- A) Finished goods and services
- B) Wages, rent, interest and profit
- C) Firm's profit incentives
- D) Interests payments of federal, state and local governments
- E) The goods market

Answer: B

Diff: 0 Type: MC

Skill: Level 1

A-Head: 2.3 The Circular Flows

AACSB: Reflective thinking

132) 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 choose the amount of the factors of production to provide to firms.
- B) Firms pay wages for the amount of entrepreneurship they provide to households.
- C) Households receive wages for the amount of entrepreneurship they 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: A

Diff: 0 Type: MC

Skill: Level 2

A-Head: 2.3 The Circular Flows

AACSB: Reflective thinking

133) Aaron locked himself out of his house and had to pay \$40 to Brianna, who works for Lucky Locksmith, to open his door. Based on this transaction in the economy and using concepts from the circular flow model, which of the following is true?

- A) Brianna earned income from supplying her labour services.
- B) Brianna purchased goods and services.
- C) Aaron acted as a firm in this transaction.
- D) Aaron earned income from supplying his labour services.
- E) Aaron supplied goods and services.

Answer: A

Diff: 0 Type: MC

Skill: Level 2

A-Head: 2.3 The Circular Flows

AACSB: Reflective thinking

134) In the circular flow model,

- A) goods and services are sold by households and purchased by firms.
- B) the government has no direct interaction with either households or firms.
- C) factor markets are where goods rather than services are bought and sold.
- D) the government is represented as a separate market.
- E) the government buys goods and services from firms.

Answer: E

Diff: 0 Type: MC

Skill: Level 2

A-Head: 2.3 The Circular Flows

AACSB: Reflective thinking

135) In the circular flow model with the government sector, transfers

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

Answer: A

Diff: 0 Type: MC

Skill: Level 2

A-Head: 2.3 The Circular Flows

AACSB: Reflective thinking

136) In the circular flow model with the government sector, taxes

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

E) flow in the same direction as transfers.

Answer: D

Diff: 0 Type: MC

Skill: Level 2

A-Head: 2.3 The Circular Flows

AACSB: Reflective thinking

137) Which of the following is NOT shown explicitly in the circular flow model?

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

Answer: B

Diff: 0 Type: MC

Skill: Level 3

A-Head: 2.3 The Circular Flows

AACSB: Reflective thinking

138) Which of the following is a function of the Australian federal government?

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

Answer: C

Diff: 0 Type: MC

Skill: Level 2

A-Head: 2.3 The Circular Flows

AACSB: Reflective thinking

139) Which of the following is NOT a function of the federal government?

- A) Collecting property taxes
- B) Making transfers to state and local governments
- C) Providing public goods and services
- D) Making social security and welfare payments
- E) Imposing a personal income tax

Answer: A

Diff: 0 Type: MC

Skill: Level 2

A-Head: 2.3 The Circular Flows

AACSB: Reflective thinking

140) Of the following, the largest single component of Australian federal government expenditures is spent on

- A) Medicare.
- B) purchases of goods and services for purposes other than national defence.
- C) national defence.
- D) interest paid on the national debt.
- E) transfers to state and local governments.

Answer: A

Diff: 0 Type: MC

Skill: Level 1

A-Head: 2.3 The Circular Flows

AACSB: Reflective thinking

141) The largest component of federal government spending is for

- A) Medicare and healthcare.
- B) education.
- C) interest on the national debt.
- D) prisons.
- E) national defence.

Answer: A

Diff: 0 Type: MC

Skill: Level 1

A-Head: 2.3 The Circular Flows

AACSB: Reflective thinking

142) Of the following, the federal government obtains most revenue from

- A) property taxes.
- B) corporate income taxes.
- C) excise taxes.
- D) sales taxes.
- E) personal income taxes.

Answer: E

Diff: 0 Type: MC

Skill: Level 1

A-Head: 2.3 The Circular Flows

AACSB: Reflective thinking

143) The biggest item(s) of Australian federal government revenue that account(s) for approximately 80 per cent of total federal government revenue is (are)

- A) corporate income taxes and property taxes.
- B) corporate income taxes.
- C) personal income taxes and corporate income taxes.
- D) personal income taxes.
- E) personal income taxes and sales taxes.

Answer: D

Diff: 0 Type: MC

Skill: Level 1

A-Head: 2.3 The Circular Flows

AACSB: Reflective thinking

144) Of the following, the federal government's largest source of revenue is

- A) transfers from state and local governments.
- B) corporate income tax.
- C) personal income tax.
- D) sales tax.
- E) property tax.

Answer: C

Diff: 0 Type: MC

Skill: Level 1

A-Head: 2.3 The Circular Flows

AACSB: Reflective thinking

145) Tax revenues are transferred from

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

Answer: B

Diff: 0 Type: MC

Skill: Level 2

A-Head: 2.3 The Circular Flows

AACSB: Reflective thinking

146) Of the following, the largest source of revenue for the federal government is

- A) transfers from state and local governments.
- B) revenue from the sale of public lands.
- C) the lotteries.
- D) personal income tax.
- E) corporation income tax.

Answer: D

Diff: 0 Type: MC

Skill: Level 1

A-Head: 2.3 The Circular Flows

AACSB: Reflective thinking

147) Income taxes paid by corporations are

- A) the major source of expenditure by the federal government.
- B) the major source of revenue for the federal government.
- C) the major source of revenue for local governments.
- D) about 25 per cent of the federal government's revenue.
- E) the major source of revenue for state governments.

Answer: D

Diff: 0 Type: MC

Skill: Level 2

A-Head: 2.3 The Circular Flows

AACSB: Reflective thinking

148) The national debt is the total amount the _____ government(s) has (have) borrowed to make expenditures that _____ tax revenue.

- A) federal; are equal to
- B) state and local; are less than
- C) federal; are less than
- D) state and local; exceed
- E) federal; exceed

Answer: E

Diff: 0 Type: MC

Skill: Level 1

A-Head: 2.3 The Circular Flows

AACSB: Reflective thinking

149) The national debt is the total amount the _____ government(s) has (have) _____ to make expenditures that exceed tax revenue.

- A) federal; loaned
- B) state and local; borrowed
- C) federal; taxed Australian citizens
- D) state and local; taxed Australian citizens
- E) federal; borrowed

Answer: E

Diff: 0 Type: MC

Skill: Level 1

A-Head: 2.3 The Circular Flows

AACSB: Reflective thinking

150) The total amount the federal government has borrowed to make expenditures that exceed tax revenue is called

- A) the national debt.
- B) personal income taxes.
- C) federal expenditures.
- D) total government spending.
- E) the net government revenue.

Answer: A

Diff: 0 Type: MC

Skill: Level 1

A-Head: 2.3 The Circular Flows

AACSB: Reflective thinking

151) If there is a national debt, we can conclude that the federal government has

- A) loaned funds to other nations in the past.
- B) borrowed in the past.
- C) purchased more goods and services than were needed.
- D) loaned funds to Australian taxpayers in the past.
- E) spent money foolishly.

Answer: B

Diff: 0 Type: MC

Skill: Level 2

A-Head: 2.3 The Circular Flows

AACSB: Reflective thinking

152) State and local governments finance expenditures mainly from

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

Answer: C

Diff: 0 Type: MC

Skill: Level 1

A-Head: 2.3 The Circular Flows

AACSB: Reflective thinking

153) Of the following, the largest source of tax revenue collected by state governments comes from

- A) individual income taxes.
- B) lottery revenues.
- C) corporate income taxes.
- D) stamp duties.
- E) death taxes.

Answer: D

Diff: 0 Type: MC

Skill: Level 1

A-Head: 2.3 The Circular Flows

AACSB: Reflective thinking

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

Answer: E

Diff: 0 Type: MC

Skill: Level 2

A-Head: 2.3 The Circular Flows

AACSB: Reflective thinking

155) Property taxes are a major source of revenue for

- A) firms wanting to relocate their operations.
- B) local governments.
- C) the federal, state and local governments.
- D) the federal government.
- E) state and local governments.

Answer: B

Diff: 0 Type: MC

Skill: Level 1

A-Head: 2.3 The Circular Flows

AACSB: Reflective thinking

156) The largest category of state and local government expenditures is

- A) social security.
- B) highways.
- C) public welfare.

- D) interest on their debt.
- E) health and education.

Answer: E

Diff: 0 Type: MC

Skill: Level 1

A-Head: 2.3 The Circular Flows

AACSB: Reflective thinking

157) State governments spend about _____ of their expenditures on health and education.

- A) 19 per cent
- B) 74 per cent
- C) 59 per cent
- D) 14 per cent
- E) 34 per cent

Answer: B

Diff: 0 Type: MC

Skill: Level 2

A-Head: 2.3 The Circular Flows

AACSB: Reflective thinking

158) 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) financial; factor
- C) firm; government
- D) goods; factor
- E) government; goods

Answer: A

Diff: 0 Type: MC

Skill: Level 1

A-Head: 2.3 The Circular Flows

AACSB: Reflective thinking

159) An example of an Australian export is

- A) a TV made in China sold to a buyer in Azerbaijan.
- B) matchbooks made in Mexico sold to a buyer in New Jersey.
- C) a washing machine made in Adelaide sold to a buyer in France.
- D) pasta made in Italy sold to buyers in Spain.
- E) diamonds mined in Africa sold to buyers in South America.

Answer: C

Diff: 0 Type: MC

Skill: Level 2

A-Head: 2.3 The Circular Flows

AACSB: Reflective thinking

160) In the circular flow model, economists define households as

- A) individuals or groups within the same legally defined family.
- B) married or engaged couples.
- C) families living in their own houses.

- D) families with at least two children.
- E) individuals or groups living together.

Answer: E

Diff: 0 Type: MC

Skill: Level 1

A-Head: 2.3 The Circular Flows

AACSB: Reflective thinking

161) A market is defined as

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

Answer: A

Diff: 0 Type: MC

Skill: Level 1

A-Head: 2.3 The Circular Flows

AACSB: Reflective thinking

162) In the circular flow model,

- A) the money used to buy goods and the goods themselves travel in the same direction.
- B) only households buy from markets.
- C) some firms only sell and some firms only buy.
- D) only firms sell in markets.
- E) both firms and households buy or sell in different markets.

Answer: E

Diff: 0 Type: MC

Skill: Level 3

A-Head: 2.3 The Circular Flows

AACSB: Reflective thinking

163) _____ choose the quantities of goods and services to produce, while _____ choose the quantities of goods and services to buy

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

Answer: C

Diff: 0 Type: MC

Skill: Level 1

A-Head: 2.3 The Circular Flows

AACSB: Reflective thinking

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

- A) Markets; markets
- B) Factor markets; goods markets

- C) Entrepreneurs; firms
- D) Firms; households
- E) Firms; firms

Answer: E

Diff: 0 Type: MC

Skill: Level 1

A-Head: 2.3 The Circular Flows

AACSB: Reflective thinking

165) In the circular flow model, rent, wages, interest and profit paid flow from _____ through _____ to _____.

- A) firms; goods markets; households
- B) households; goods markets; firms as payment for goods
- C) firms; factor markets; households
- D) households; factor markets; firms
- E) firms; goods markets; firms

Answer: C

Diff: 0 Type: MC

Skill: Level 2

A-Head: 2.3 The Circular Flows

AACSB: Reflective thinking

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

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

Answer: E

Diff: 0 Type: MC

Skill: Level 3

A-Head: 2.3 The Circular Flows

AACSB: Reflective thinking

167) In the circular flow model, the expenditures on goods and services flow in the

- A) same direction as goods and services *only if* they both flow through the factor market.
- B) same direction as factor markets.
- C) opposite direction to goods and services.
- D) same direction as goods and services in all cases.
- E) same direction as goods and services *only if* they both flow through the goods market.

Answer: C

Diff: 0 Type: MC

Skill: Level 3

A-Head: 2.3 The Circular Flows

AACSB: Reflective thinking

168) Households receive transfers from _____ and firms receive transfers from _____.

- A) the government; the government
- B) the government; the government and households
- C) firms; households

- D) firms and the government; the government
- E) the government; no one

Answer: A

Diff: 0 Type: MC

Skill: Level 2

A-Head: 2.3 The Circular Flows

AACSB: Reflective thinking

169) Of the following, the largest source of revenue for the federal government is

- A) personal income taxes.
- B) lottery revenue.
- C) sales taxes.
- D) corporate income taxes.
- E) property taxes.

Answer: A

Diff: 0 Type: MC

Skill: Level 2

A-Head: 2.3 The Circular Flows

AACSB: Reflective thinking

170) _____ are the largest components of state government revenue.

- A) Individual income taxes and sales taxes
- B) Transfers from the federal government and stamp duties
- C) Transfers from the federal government and corporate income taxes
- D) Corporate income taxes and lottery income
- E) Individual income taxes and corporate income taxes

Answer: B

Diff: 0 Type: MC

Skill: Level 2

A-Head: 2.3 The Circular Flows

AACSB: Reflective thinking

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

Answer: E

Diff: 0 Type: MC

Skill: Level 2

A-Head: 2.3 The Circular Flows

AACSB: Reflective thinking

- 1) E
- 2) B
- 3) C
- 4) A
- 5) E
- 6) C
- 7) D
- 8) E
- 9) E
- 10) B
- 11) A
- 12) A
- 13) A
- 14) D
- 15) B
- 16) D
- 17) B
- 18) C
- 19) E
- 20) D
- 21) E
- 22) B
- 23) B
- 24) E
- 25) D
- 26) E
- 27) C
- 28) D
- 29) A
- 30) C
- 31) B
- 32) B
- 33) D
- 34) E
- 35) C
- 36) B
- 37) E
- 38) B
- 39) D
- 40) E
- 41) B
- 42) E
- 43) B
- 44) E
- 45) B
- 46) A
- 47) E
- 48) A

- 49) D
- 50) B
- 51) E
- 52) B
- 53) D
- 54) C
- 55) D
- 56) A
- 57) C
- 58) E
- 59) D
- 60) C
- 61) A
- 62) C
- 63) B
- 64) E
- 65) D
- 66) E
- 67) A
- 68) A
- 69) A
- 70) D
- 71) B
- 72) A
- 73) E
- 74) C
- 75) E
- 76) B
- 77) E
- 78) D
- 79) E
- 80) B
- 81) D
- 82) B
- 83) B
- 84) A
- 85) C
- 86) B
- 87) D
- 88) E
- 89) C
- 90) D
- 91) D
- 92) C
- 93) C
- 94) C
- 95) B
- 96) C

- 97) A
- 98) D
- 99) C
- 100) A
- 101) D
- 102) A
- 103) E
- 104) B
- 105) B
- 106) C
- 107) D
- 108) C
- 109) C
- 110) B
- 111) D
- 112) C
- 113) B
- 114) A
- 115) E
- 116) B
- 117) D
- 118) E
- 119) E
- 120) B
- 121) E
- 122) B
- 123) C
- 124) C
- 125) B
- 126) C
- 127) B
- 128) A
- 129) D
- 130) A
- 131) B
- 132) A
- 133) A
- 134) E
- 135) A
- 136) D
- 137) B
- 138) C
- 139) A
- 140) A
- 141) A
- 142) E
- 143) D
- 144) C

- 145) B
- 146) D
- 147) D
- 148) E
- 149) E
- 150) A
- 151) B
- 152) C
- 153) D
- 154) E
- 155) B
- 156) E
- 157) B
- 158) A
- 159) C
- 160) E
- 161) A
- 162) E
- 163) C
- 164) E
- 165) C
- 166) E
- 167) C
- 168) A
- 169) A
- 170) B
- 171) E