

Circular Flow Of Income - Very Short(Reason-based)

Q. 1. A stock is a quantity measured at a specified period of time.

Ans. False. A stock is a quantity measured at a particular point of time.

Q. 2. Capital formation is a stock variable.

Ans. False. Capital formation is a flow variable. It refers to addition to the stock of capital and is measured per unit of time period.

Q. 3. Population of a country and number of births both are stock variables.

Ans. False. Population of a country is a stock variable because it is measured at a point of time. Number of births is a flow variable because it is measured per unit of time period.

Q. 4. Export is a flow variable.

Ans. True. Export is a flow variable because it is measured per unit of time period.

Q. 5. Producer sector supplies the factor services to the household sector.

Ans. False. Producer sector supplies goods and services to the household sector.

Q. 6. Flow of factor services rendered by the households to the producers are real flows.

Ans. True. Flow of factor services rendered by the households to the producers are real flows because these flows involve the movement of goods and services from one sector to the other.

Q. 7. Money flows are opposite to real flows.

Ans. True. Money flows are opposite to real flows. Because money flows are in response to the real flows. Money flow from households to the producers is a reciprocal to the real flow of goods from the producers to the households. Likewise, money flow from producers to the households is a reciprocal of the real flow of factor services from the households to the producers.

Q. 8. A car covering a distance of 300 km in 5 hours includes both stock as well as flow variable.

Ans. True. Because

(i) Distance is a stock variable.

(ii) Speed $\left(\frac{300 \text{ Km}}{5 \text{ hours}} \right)$ is a flow variable.