

Circular Flow Of Income - Very Short(Info & Con)

Q. 1. Define stock variables.

Ans. Stock variables are those variables which are measured at a particular point of time.

Example: Wealth and capital.

Q. 2. Define flow variables.

Ans. Flow variables are those variables which are measured per unit of time period.

Example: Income and investment.

Q. 3. What is meant by intersect oral flows?

Ans. Intersect oral flows refer to the flow of goods and services as well as the flow of money among different sectors of the economy.

Q. 4. What is meant by circular flow of income?

Ans. Circular flow of income refers to unbroken circularity of real flows and money flows across different sectors of the economy.

Q. 5. Define monetary flow.

Ans. Monetary flow (or money flow) refers to the flow of factor incomes, viz., rent, interest, profit and wages from the producing sector to the household sector as monetary rewards for their factor services. The households spend their incomes on the goods and services produced by the producing sector. Accordingly, money flows back to the producing sector as household expenditure.

Q. 6. Define real flow.

Ans. Real flow refers to the flow of factor services from the household sector to the producing sector and the corresponding flow of goods and services from the producing sector to the household sector.

Q. 7. What is the principle of circular flow of income and product?

Ans. (i) Real flows (in terms of goods and services) are opposite to the money flows.

(ii) Flow of income across different sectors always implies the identity between payments and receipts.

Q. 8. State whether the following are a stock or a flow?

(i) Income of a household.

(ii) Consumption expenditure of a household.

Ans. Both are flows, as these are measured per unit of time period.

Q. 9. State which of the following is a stock and which is flow?

(i) Wealth.

(ii) Cement Production.

Ans. (i) Stock,

(ii) Flow.

Q. 10. State whether the following is a stock or a flow?

(i) Money supply or quantity of money of the nation.

(ii) Change in nation's money supply.

Ans. (i) Stock,

(ii) Flow.