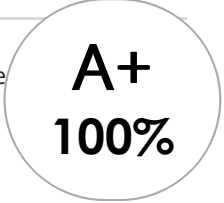


## 12 Multiple choice questions



**A+**  
**100%**

1. the greater than proportional increase in national income resulting from an increase in aggregate demand  
  - a. equilibrium
  - b. recession
  - c. **CORRECT: multiplier**
  - d. multiplier process
  
2. a model that describes how economic activity occurs between the different groups in an economy; saving, taxation and spending on imports represent leakages from the circular flow  
  - a. multiplier process
  - b. equilibrium
  - c. multiplier
  - d. **CORRECT: circular flow of income**
  
3. the proportion of each extra dollar of income that is saved  
  - a. marginal propensity to consume (MPC)
  - b. average propensity to save (APS)
  - c. **CORRECT: marginal propensity to save (MPS)**
  - d. average propensity to consume (APC)
  
4. the stage of the business cycle where there is decreasing economic activity, defined as two consecutive quarters (six months) of negative economic growth i.e. a fall in the GDP  
  - a. multiplier
  - b. **CORRECT: recession**
  - c. investment
  - d. equilibrium

5. is achieved in an individual market when any consumer who is willing to pay the market price for a good or service is satisfied, and any producer who offers their good and services at the market price is able to sell their produce; it occurs when quantity demanded is equal to quantity supplied, i.e. when the market clears
- multiplier
  - investment
  - CORRECT: equilibrium**
  - recession
6. explains how an increase in aggregate demand will increase the overall level of national income by much more than the initial increase; this amount is known as the multiplier; the size of the multiplier is determined by the marginal propensity to save
- multiplier
  - investment
  - equilibrium
  - CORRECT: multiplier process**
7. the proportion of total income that is spent on consumption
- average propensity to save (APS)
  - marginal propensity to consume (MPC)
  - marginal propensity to save (MPS)
  - CORRECT: average propensity to consume (APC)**
8. the proportion of each extra dollar of income that is spent on consumer products
- average propensity to consume (APC)
  - CORRECT: marginal propensity to consume (MPC)**
  - marginal propensity to save (MPS)
  - average propensity to save (APS)
9. the total productivity capacity of an economy, i.e. the potential output when all factors of production are fully utilised
- investment
  - recession
  - aggregate demand
  - CORRECT: aggregate supply**

10. the total income that is not spent, but is saved for future consumption
- average propensity to consume (APC)
  - marginal propensity to consume (MPC)
  - marginal propensity to save (MPS)
  - CORRECT:** average propensity to save (APS)
11. the total demand for goods and services within the economy; components of aggregate demand are: consumption (C); investment (I); government spending (G); and net exports (X-M)
- investment
  - recession
  - aggregate supply
  - CORRECT:** aggregate demand
12. any current expenditure where the benefits will be obtained in the future; most typically, this injection will involve the purchase of capital goods or the build up of stock and inventory
- multiplier
  - CORRECT:** investment
  - recession
  - equilibrium