Economics Quiz

Name:

1. What is the difference between macroeconomics and microeconomics?

Macroeconomics - The way Australia, as a nation, functions economically. It is larger scale economic factors. Issues affecting the Australian economic environment are inflation, monetary systems and unemployment.

Microeconomics - The behaviour of businesses and individuals, and the factors that influence purchasing decisions. Microeconomics is concerned with single factors and the effects of individual decisions. Think about prices, levels of production and the use of resources.

1. What are the four sectors that participate in the economy (participants)?

……households………………. ……………businesses…………………….

……government………………. …………financial sector……………….

1. Name four reasons that we use money instead of bartering and trading goods.
2. Medium of exchange – allows us to pay for things because it is accepted by everyone in the economy.
3. Measure of value – money allows us to put a price on the goods and services we exchange. The price is a measure of what we believe the foods and services to be worth when compared to other goods and services.
4. Store of value – money allows us to save our income or wealth for spending at a later date because it holds its value.
5. Standard of deferred payment – money allows us to purchase goods and services on credit with both buyer and seller knowing exactly how much has to be paid at a later date.
6. In your own words, describe the effects on the economy when:

(hint: think about all the participants who are affected in each situation – both positively and negatively)

*The company you work for goes bankrupt*

You and you the people you work with would become unemployed. You have no income to spend on goods and services which affects other businesses. A decrease in spending may result in other businesses needing to close down. You are not paying taxes to the government so their income has decreased. The business you work for is also not paying taxes as they no longer exist. They are not purchasing from suppliers anymore so they are also affected. You might need to live on your your savings for a short time so you are withdrawing money from banks (financial sector)

*You get a payrise at work*

You have more money to spend or save. This positively impacts other businesses as they will benefit from your increased spending and the financial sector who will benefit from you saving more. The government will receive more in taxes as when you earn more, you pay more tax. With the government receiving more money, they might be able to spend more on essential goods and services which may create more jobs.

1. When the phrase ‘supply and demand’ is used, what does it mean?

Demand refers to how much (quantity) of a product or service is desired by buyers. The quantity demanded is the amount of a product people are willing to buy at a certain price; the relationship between price and quantity demanded is known as the demand relationship. Supply represents how much the market can offer.