

In Sync with Circular Flow | Worksheet



Matching

Match the definition in Column A with the term in Column B.

Column A

- _____ Where households exchange factors of production.
- _____ Collects taxes, provides subsidies and transfer payments.
- _____ Entities that make and sell goods and services.
- _____ Provide loans, pay interest, and hold deposits.
- _____ Where businesses sell goods and services.
- _____ People who own and supply factors of production.

Column B

- a. Households
- b. Businesses
- c. Resource Market
- d. Product Market
- e. Government
- f. Financial Institutions

Multiple Choice

1. **What role do financial institutions play in the circular flow of money?**
 - a. They provide businesses with workers from households
 - b. They trade goods between resources and product markets
 - c. They collect taxes and create public goods
 - d. They move money through loans, deposits, and interest
2. **How does the government interact with both households and businesses in the circular flow?**
 - a. It buys goods from households and gives businesses free land
 - b. It collects taxes and distributes subsidies and transfer payments
 - c. It sets prices and controls the market exchanges
 - d. It takes over the roles of households and businesses
3. **What do households provide to businesses through the resource market?**
 - a. Factors of production like land, labor, and capital
 - b. Subsidies, transfer payments, and taxes
 - c. Revenue from goods and services
 - d. Loans, interest, and deposits
4. **What would most likely happen if businesses stopped buying resources from the resource market?**
 - a. Households would stop paying taxes
 - b. Households would spend more money in the product market
 - c. Households would lose income, reducing their ability to spend
 - d. Households would receive more loans from financial institutions

Application

A local business closes and lays off many workers. Using the circular flow model, explain how this might affect households, the product market, financial institutions, and the government. Be sure to describe how money and resources flow through the system when something changes.



Scan to watch episode:

In Sync with Circular Flow | Answer Key

Matching

Match the definition in Column A with the term in Column B.

Column A

- c. Where households exchange factors of production.
- e. Collects taxes, provides subsidies and transfer payments.
- b. Entities that make and sell goods and services.
- f. Provide loans, pay interest, and hold deposits.
- d. Where businesses sell goods and services.
- a. People who own and supply factors of production.

Column B

- a. Households
- b. Businesses
- c. Resource Market
- d. Product Market
- e. Government
- f. Financial Institutions

Multiple Choice

1. **What role do financial institutions play in the circular flow of money?**
 - a. They provide businesses with workers from households
 - b. They trade goods between resources and product markets
 - c. They collect taxes and create public goods
 - d. **They move money through loans, deposits, and interest**
2. **How does the government interact with both households and businesses in the circular flow?**
 - a. It buys goods from households and gives businesses free land
 - b. **It collects taxes and distributes subsidies and transfer payments**
 - c. It sets prices and controls the market exchanges
 - d. It takes over the roles of households and businesses
3. **What do households provide to businesses through the resource market?**
 - a. **Factors of production like land, labor, and capital**
 - b. Subsidies, transfer payments, and taxes
 - c. Revenue from goods and services
 - d. Loans, interest, and deposits
4. **What would most likely happen if businesses stopped buying resources from the resource market?**
 - a. Households would stop paying taxes
 - b. Households would spend more money in the product market
 - c. **Households would lose income, reducing their ability to spend**
 - d. Households would receive more loans from financial institutions

Application

A local business closes and lays off many workers. Using the circular flow model, explain how this might affect households, the product market, financial institutions, and the government. Be sure to describe how money and resources flow through the system when something changes.

Sample Response:

If a local business closes and lays off many workers, households will lose income from wages, which reduces their ability to spend in the product market. This drop in consumer spending can hurt other businesses, leading to more layoffs. The government may collect less in taxes and need to provide more support through subsidies or transfer payments. Financial institutions might see fewer deposits and more people needing loans, disrupting the overall flow of money in the economy.

Guidance for Grading:

Teachers should look for the following key elements in student responses:

- ☐ **Households:** Mentions loss of income (wages), Notes decreased ability to spend on goods and services.
- ☐ **Product Market:** Identifies reduced consumer spending, Possible decline in business revenue or sales.
- ☐ **Financial Institutions:** References reduced savings or deposits. May mention increased demand for loans or credit.
- ☐ **Government:** Notes reduced tax revenue. May include increased government support (e.g., unemployment benefits, subsidies).
- ☐ **Use of Vocabulary/Model Language:** Correct use of terms like *income*, *spending*, *circular flow*, *goods and services*, *taxes*, *factors of production*, etc. Clear connection to how money and resources move through the system
- ☐ **Cause-and-Effect Thinking:** Shows understanding of how one change (business closure) creates ripple effects across the economy.