

Personal Finance

Unit 1 · Economics & the Consumer · Lesson 1.1

MCQ Practice Set

Check Your Understanding

National: Economics & Consumer Literacy

Choose the best answer for each question. These are application questions - read carefully.

1. A town's largest employer shuts down. Using the circular flow, what is the MOST likely chain of events on the local shopping street?

- A. Households lose income, spend less, and shops then cut jobs
- B. Stores raise their prices because fewer products are available
- C. Local banks must by law send every affected family a guaranteed monthly check
- D. Businesses keep paying the same wages since their revenue is unaffected

2. Two new shops open in a mall. Over time customers spend far more at Shop A than Shop B. What does this spending pattern act as?

- A. A tax that the mall quietly collects from both shops in equal amounts
- B. A signal telling businesses what customers want more of
- C. A loan that Shop A will later have to repay to each of its customers
- D. A city order that forces Shop B to shut its doors within the month

3. Why is consumer spending described as the 'engine' of the economy?

- A. Because the government spends far more than households and businesses combined
- B. Because factories may not legally open until consumers first register to shop
- C. Because it is the largest share of activity and starts the cycle
- D. Because exports sold to other countries depend entirely upon it

4. The Reyes family has three months of savings; the Carter family relies on credit cards for basics. Both lose income for a month. Why does the Reyes family add more STABILITY to the local economy?

- A. They are legally required to spend their savings only at local stores
- B. They automatically receive replacement income from their bank all month
- C. They stop spending completely, which lowers prices for everyone nearby
- D. They keep spending close to normal, so nearby shops keep earning

5. Which person is acting as a PRODUCER rather than a consumer?

- A. A mechanic repairing customers' cars at a local shop
- B. A student streaming music on a paid app at home tonight
- C. A shopper buying a full week of groceries for the family
- D. A family ordering dinner delivered from a restaurant downtown

6. How can a single household be an earner, a consumer, AND a saver at the same time?

- A. Only a single one of those roles is legally allowed per person each year
- B. It earns wages, spends part, and sets the rest aside
- C. It must pick saving over spending in order to count in the economy
- D. Those three roles apply only to businesses, never to households

7. A community wants a more stable economy. Which goal BEST supports that, based on this lesson?

- A. Convince every family to stop saving and spend all of their income
- B. Remove all of the small businesses from the main shopping street
- C. Help more families become financially self-sufficient
- D. Encourage households to take on more debt for their daily expenses

8. You spend \$10 at a local diner. Which statement BEST traces that money through the economy?

- A. It disappears from the economy the moment the diner has received it
- B. It is returned to you automatically as a consumer cash refund later
- C. It only helps the economy if the diner happens to be a national chain
- D. It becomes the diner's revenue, helping pay its workers