**Unit 2 Essential Questions**

1. What is a circular flow model? **The flow of economic activity (buying & selling) & products (goods & services and resources) between households & firms.**

2. What 2 types of markets are represented in the circular flow model? **Product & Resource Markets**

3. What kind of income is received for each resource? **Land – Rent; Labor – Wage/Salary; Capital – Interest; Entrepreneur - Profit**

4. What is barter? **Moneyless economy focused on trading goods for god or services.**

5. What is medium of exchange? **Something accepted by all parties as payments for goods & services.**

1. Name 4 additional characteristics of money. **Portable, Durable, Divisible, Limited in Supply**

2. What is a demand schedule? **A table or schedule that shows the various quantities demanded by consumers of a good at all prices**

3. What does the law of Demand state? **There is an inverse relationship between price and quantity demanded.**

4. What causes a change in quantity demanded? **A change in price.**

5. Name 3 factors that can cause the demand curve to shift. **(1) Consumer income, (2) Taste & Preference, (3) Substitutes, (4) Complements, (5) Change in Expectations, (6) # of buyers.**

1. When a given change in price causes a relatively larger change in quantity demanded, then demand is? **Elastic (Unnecessary & Unimportant)**

2. When a given change in price causes a relatively smaller change in quantity demanded, then demand is? **Inelastic (Necessary & Important)**

3. When a purchase can be delayed, demand is? **Elastic**

4. When there are few substitutes available for a good, demand is? **Inelastic**

5. When a purchase uses a large portion of income, demand is? **Elastic**

1. What is a supply schedule? **A** **table that shows the various quantities supplied of a product at all prices**

2. What does the Law of supply state? S**tates that the price and the quantity supplied are *directly* related to each other.**

3. When the cost of inputs increases, supply will? **Decrease**

4. When productivity increases, supply will? **Increase**

5. When taxes increase, supply will? **Decrease**

1. A high price is a signal for producers to do what and consumers to do what? **Firms will produce more and consumers will buy less**

2. What is market equilibrium? **When prices are stable and** **the quantity supplied is equal to the quantity demanded.**

3. A surplus occurs when? **When the quantity supplied is greater than the quantity demanded**

4. Define price ceiling and give an example. **The maximum legal price that can be charged for a product / Ex: Rent control.**

5. Define price floor and give an example. **The lowest legal price that can be charged for a product / Ex: Minimum wage.**

1. What are the 3 legal forms of business? **1.** **Sole Proprietorship, 2. Partnership (General & Limited), 3. Corporation**

2. Which form of business is the most common numerically? **Sole Proprietorship**

3. Which form of business can sell stock? **Corporation**

4. What is a dividend? **A check representing a portion of the corporations’ profits paid back to the stockholders each quarter.**

5. What is unlimited liability? **Owner(s) are responsible for debt and liabilities accrued by the business.**

1. What kind of market structure has many firms and a similar product? **Monopolistic** **Competition**

2. Which market structure has many firms, identical products, and no control over price? **Perfect Competition**

3. Which market structure has few firms and exhibits interdependent behavior? **Oligopoly**

4. Which market structure is the most difficult to enter? Monopoly

5. Who provides public goods and how are they paid for? **The government (state or local); paid by taxes**