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**UNDERSTANDING CIRCULAR FLOW**

**SSEMI1 The student will describe how households, businesses, and governments are interdependent and interact through flows of goods, services, and money.**

a. Illustrate by means of a circular flow diagram, the product market; the resource (factor) market; the real flow of goods and services between and among businesses, households, and government; and the flow of money.

b. Explain the role of money as a medium of exchange and how it facilitates exchange.



1. **What is a firm?**
2. **Describe how Households and Businesses are interdependent in the resource market.**
3. **Describe how Households and Businesses are interdependent in the product market.**
4. **Which lines represent the flow of money through the economy?**
5. **Give a real life example of an exchange that would take place in the product market.**
6. **Give a real life example of an exchange that would take place in the resource market.**
7. **How does money facilitate the exchanges taking place in the circular flow diagram?**