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## Households

- 1 What is the main source of income for most people?  
**A** dividends **C** profit  
**B** interest **D** wages and salaries
- 2 Which term describes income earned by an individual after income tax and other charges have been deducted?  
**A** disposable income **C** nominal income  
**B** gross income **D** real income
- 3 Money intended for spending on goods and services within the next twelve months is known as  
**A** capital **C** current expenditure  
**B** capital expenditure **D** savings
- 4 Which type of consumption occurs when people buy goods and services that they feel increase their social status or image?  
**A** capital consumption **C** current consumption  
**B** conspicuous consumption **D** household consumption
- 5 Which is the least likely determinant of the level of spending, saving and borrowing in an economy?  
**A** consumer confidence levels **C** interest rates  
**B** inflation rates **D** trade policies

6 Define the term *wealth*. [2 marks]

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7 State **two** factors that determine the level of savings in an economy. [2 marks]

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8 Explain **two** reasons why an individual might choose to borrow money. [4 marks]

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9 Explain how the use of interest rates affects the amount of spending and savings in an economy. [4 marks]

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10 Some countries, such as Belgium and France, impose high rates of income tax. Explain how direct taxes impact on the amount a person saves or spends. [4 marks]

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