Relationship between goods, services and money

Answer the questions in your workbook.

a) Explain what goods and services are and give one example of each.  [4 marks]

b) Why do consumers buy goods and services?  [2 marks]

c) How does the money of consumers ensure that goods and services are produced?  [2 marks]

d) Fill in the four missing words in the following explanation of the circular flow of money:
Money flows from ... to households, when business enterprises pay for the labour rendered by people in households.
Money flows from ... to business enterprises, when households use their income to buy goods and services from business enterprises.
Money flows from business enterprises and households to ..., when business enterprises and households pay taxes to Government.
Money flows from ... to business enterprises and households when Government pays for essential services, such as safety and security, education, healthcare and transport infrastructure.  [4 marks]
### Suggested Solutions

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| 1               | 12             | a) Goods are things that are manufactured or produced ✓, for example shoes or cars ✓. A service is something that can be rendered ✓, such as gardening, hairdressing or financial services ✓. **[4 marks]**  
   b) Consumers buy goods and services to satisfy their needs ✓ and wants ✓. **[2 marks]**  
   c) Consumers use their money to buy goods and services ✓ and that money is then used to manufacture or produce more goods and services ✓. **[2 marks]**  
   d) Money flows from business enterprises ✓ to households, when business enterprises pay for the labour rendered by people in households.  
      Money flows from households ✓ to business enterprises, when households use their income to buy goods and services from business enterprises.  
      Money flows from business enterprises and households to Government ✓, when business enterprises and households pay taxes to Government.  
      Money flows from Government ✓ to business enterprises and households when Government pays for essential services, such as safety and security, education, healthcare and transport infrastructure. **[4 marks]** |