Time allowed 2 ½ hours

DIRECTION: Each of the following questions are followed by four possible alternatives. Read each question carefully and <u>blacken</u> the letter of your best choice on the separate answer sheet provided

1. The utility of a specific product
   A. Determine by consumer income
   B. Is determined by the price of the product
   C. Varies from person to person using the product
   D. Is constant from person to person using the product
2. The properties of indifference curves include the following
   A. It is down ward sloping C. It never crosses each other
   B.It exhibits diminishing marginal rate of substitution D. All of the above
3. If marginal utility is positive but decreasing total utility is
   A. Decreasing B. Negative C. increasing D. constant
4. Microeconomics studies such topics are
   A. The factors that determine inflation
   B. The forces that influence the price of shoes
   C. The determinants of total out put
   D. The overall turned in stock market prices
5. Economists tend to disagree primarily about
   A. The implication of scarcity for our economy C. Topic in positive economics
   B. Which resources are free? D. Issues of normative economics
6. Which of the following is the feature of capitalism
   A. Collective owner ship C. Maximum social welfare
   B. Clear social and economic objectives D. Profit motive
7. If the participation rate is 75% the un employment rate is 10% and the labour force is 20 million, then the number of people un employed is
   A. 4million B.2 million C. 5 million D. 3 million
8. Inflation would have benefited people

A. Who saved at fixed interest rates C. Who lent a fixed interest rates

B. Who borrowed at fixed interest rates D. Who received fixed in comes

9. Inflation is defined as

A. Increase in some prices

B. Increase in the price of a specific commodity or service

C. Sustained increase in the general price level

D. Sustained increase in the price of a specific commodity or service

10. Un employment that is caused by recessions is called

A. Frictional un employment C. Down time un employment

B. Cyclical un employment D. Structural un employment

11. Which of the following are considered macro outcome

A. The levels of employment and un employment
B. The year –to –fear expansion in production capacity
C. The average price of goods and services
D. All f the above

12. In a typical business cycle the expansion is followed in order, by the phase

A. Trough and recovery C. peak and recession

B. Peak and expansion D. recovery and peak

13. Which of the following is a problem associated with high unemployment

A. Under utilization of national resources
B. Loss of income
C. Depression, suicide and domestic violence
D. All of the above

14. The unemployment rate refers to

A. The population minus the number of people employed
B. The labor –force participation rate plus the employment rate
C. The proportion of the labour force that is without work and is looking for work
D. The proportion of the population that is not working

15. Which of the following is **not true** about a perfectly competitive market structure

A. Average revenue is greater than price

B. Marginal revenue equal to price

C. Marginal revenue is equal to the average revenue

D. Average revenue is equal to price

16. Which of the following statements about a monopoly is **false**

A. A monopoly is the only supplier of the good
B. Monopolies have no barriers to entry or exit.
C. The good produced by a monopoly has no close substitutes
D. None of the above

17. All of the following are **true** about a monopolist except
A. Average and marginal revenue are not the same
B. Marginal revenue is grater than price
C. Marginal revenue decrease with increase in output
D. Marginal revenue can be negative

18. The monophonically competitive price is above marginal revenue because
A. Firms are price takers C. The market is a locative efficient
B. Firms produce a homogenous product D. Firms have differentiated products

19. When economic losses are present in a market, firms will tend to:
A. Exit from the market
B. Raise their prices until the break-even point is reached
C. Lower their prices regardless of cost, so they can capture more of the market
D. Increase output

20. The monopolistically competitive firm has a more elastic demand curve than the monopolist
A. Because of competition from other firms C. Because of market price is arbitrary
B. Because of more productive resources D. Because of lower costs

21. If the price level rises, what will happen to aggregate supply
A. It will shift out ward C. it will get steeper
B. It will shift in ward D. Nothing

22. The aggregate demand curve shows
A. Total expenditure at different levels of national income
B. The quantity of real GDP demanded at different price level
C. real income is directly (positively) related to the price levele
D. All are correct

23. Fiscal policy refers to the manipulation of government income and expenditure to

A. Control the volume and price of money
B. Limit the rate of increase in incomes
C. Affect the value of the dollar on world financial markets
D. Affect the level of total expenditure, output and employment

24. A sale of bonds by the central bank should cause
A. A fail in interest rate
B. A decrease in the reserves of the commercial bank
C. An increase in the money supply
D. An increase in the commercial banks' loans to the public

25. International trade
A. Helps consumer B. Hurts consumer C. Helps producer D. None of the above

26. Comparative advantage is
A. The ability to produce a good at a lower opportunity cost relative in another country
B. The value of the next best opportunity
C. The ability to produce a good at lower cost with higher productivity
D. None of the above

27. The source of gains from trade is
A. Traiffs C. Self –sufficentcy
B. absolute advantage D. comparative advantage

28. When a nation imposes an import tariff
A. The price of import commodity rises
B. Consumption and imports of the importable commodity fails.
C. Local production of the import- importing commodity increase
D. All of the above

29. Specialization and trade should lead to all except
A. Individuals learning specific skills and earning a salary.
B. A decrease in total economic out put
C. Higher living standards
D. The exchange of goods and services in markets.

30. Monterey policy is concerned with influencing

A. The general level of money wages C. The price and availability of money
B. The level of government expenditure D. The level of shares on the stock market

31. If the marginal propensity to save is 0.25 then a 10,000 decrease in disposable income will
A. Increase consumption by 7,500 C. Decrease consumption by 7500
B. Increase consumption by 2,500 D. Decrease consumption by 2500

32. House hold consumption expenditure is affected negatively by both
A. the level of personal income and income tax
B. the level of house hold indebtedness and income tax
C. the amount of house hold wealth and house hold size
D. consumer expectation of price and consumer income.

32. consumer wealth
A. causes no change in consumptum because consumption is a function of disposable income only
B. causes no change in consumption because the increase is always expected
C. causes a down ward shift in the consumption function
D. cases an upward shift in the consumption function

34. Which of the following would cause business investment spending to rise?
A. an increase in real interest rate
B. a decrease in the corporate profit tax rate
C. a reeducation of the investment tax credit
D. sales failing in relation to capacity

35. Which of the following is **true** regarding the national income accounts
A. GDP>GNP C. personal income> disposable personal income
B. NNP>GNP D. personal income > disposable personal income

36. If depreciation exceeds gross investment
A. the economy's stock of capital may be either growing or shrinking
B. the economy's stock of capital is shrinking
C. The economy’s stock of capital is growing
D. net investment is zero

37. which of the following approach of measuring national income incorporates indirect business tax as a component of GDP

A. the value added approach C. the expenditure approach

B. the output approach D. the income approach

38. . which of the following is **true** regarding GDP and GNP

A. GDP is measured as a stock

B. GDP includes value added by house hold

C. If net factor income from abroad is positive GDE>GNP

D. GDP is concerned with territory while GNP is concerned with nationality

39. National GDP grow faster than real GDP if

A. Un employed occurs in a economy C. Deflation occur in an economy

B. Import exceeds export in an economy D. inflation occur in an economy

40. All of the following policies can be used by the Ethiopian government to improve the supply side economic performance and increase the rate of economic growth **except**

A. The reduction in the rate of income tax to boost labor supply

B. the introduction of minimum wage

C. Extra investment in labour training schemes

D. The opening of markets to enhance competitions

41. One of the following monetary has not been used by the Ethiopian government since the 1992/93 economic reform.

A. Discretionary interest rate policies

B. open market operations

C. Exchange rate policy such as auction of foreign currencies

D. Setting overall regulations on lending and deposit rates

42. structural adjustment program refers to

A. The organization of institutions, economic activities in line with market economy

B. Expansionary fiscal policy through government expenditure

C. The organization of institutions, economic activities in line with planned economy

D. Expansionary monetary policy through service requirement

43. Which of the following is **true** regarding the national development objectives and strategies of different political regimes in Ethiopia?
    A. The sound economic policy of the Derg-regime resulted in satisfactory economic performance
    B. The Imerial regime discouraged private ownership of factors of production
    C. The EPDRE program recognizes the inter-linkage between improvement in people's welfare, peace and security.
    D. The sound economic policy of the Derg regime resulted in satisfactory economic performance
44. One of the following is **correct** about industrial sector
    A. It growth performance was stagnate over the past fifteen years
    B. government and private manufacturing industries are engaged in the production of capital goods
    C. The sector contributes 13% of GDP and 9.5% of employment
    D. It is dominated by mining and quarrying and electricity.
45. Which sector is the most dominant in the Ethiopian economy in terms of absorbing of more employment opportunity
    A. Agriculture C. Industry
    B. Service D. both A and B
46. The share of the non-working population relative to the economically active population gives
    A. Adult population C. young age population
    B. old age population D. Depending ratio
47. The total population in Ethiopia in the year 2012 was 80,044,000. out of this population 35% was below the age of 15and 3% was above the age of 65. What was the dependency ratio in the year 2012
    A. 16.29% B. 51.30% C. 61.29% D. 52%
48. The Ethiopian economy is predominantly _____
    A. Small informal sector C. Agrarian
    B. Industrial D. Vibrant financial
49. One of the following is **correct** about farming system in Ethiopia

A. Crop production is much greater than in the pastoral nomadic.
B. over 86% of the small older farming system cultivates farm lands with areas less than 10 hectares each.
C. The state farm enterprise introduce intensive and extensive mechanized agriculture
D. pictorial farming system is the most dominant

50. Which of the following is **true** about the structure of the agriculture sector in Ethiopia
A. The modern commercial farming system is the dominant system
B. The small hold farming system is the dominant system
C. The pastoral nomadic farming system is dominant system
D. More than 85% of the agricultural households own with areas of two hectares or more

51. The three most important cash crop are
a. coffee, tea and cut flowers C. coffee, chat and sugar care
b. chat, cotton and coffee D. cut flower, cotton and chat

52. Which sub sector is the dominant industrial sector in Ethiopian
A. Manufacturing C. Mining and quarrying
B. Electricity D. Water supply

53. which one of the following groups contributes the largest share of value added in Ethiopians manufacturing sector
A. Textile C. Wood and beverage
B. Leather and fool wear D. chemicals

54. During the Derg which enterprises were allowed to private investors?
A. Large scale C. Medium scale
B. small scale D. None

55. one of the following is **not true** about the manufacturing sector in Ethiopia
A. It faces strong competition from cheap imports
B. It faces strong domestic demand for its products
C. It lacks marketing information in both local and export market
D. it is dominated by food and beverages, textile and non-metallic materials.

56. Which one is **true** about the service sector in Ethiopia

A. The large contribution of the sector to GDP comes mostly from private employment
B. The service sector is the second largest sector next to agricultural to employment contribution
C. The service sector is the first sector dominant sector in foreign exchange contribution
D. About 1.4% of the total labour force is employed in the communication sector

57. The education system in Ethiopia suffered from short corning in quality coverage and relevance due to
A. There were no specific profiles set for the student at different levels
B. cultural religion or other factors were not encourage both male and female to attend school
C. The education and training policies focused on taking major long tern challenges
D. Different subjects were through based on student interest and attitude

58. The current health sector policy of Ethiopia focuses mainly on
A. Developing the preventing components of health care
B. Expanding the population of public organization
C. Promoting curative health care service for every service for every body
D. Facilitating the participation of public organization in health care

59. The first intangible heritage of Ethiopia registered by UNESCO as world heritage site is
A. EID
B. Meskel festival
C. X-mass festival
D. Easter festival

60. Which one is not true about domestic trade
A. Exchange of goods and service among citizens of independent counters
B. Enlarges the consumption choice of people by consuming those goods that it cannot produce
C. Encourage the diffusion of knowledge, culture and technology
D. It brings specialization

61. one of the following is false about international trade

A. The gains from international trade equally distribute between the trading nations
B. International trade increases total consumption in the trading nations
C. International trade restrictions generally reduce the gains from trade
D. International trade encourages diffusion of knowledge and culture between the trading nation

62. The oldest form of trade restriction is

A. Quota B. Exchange rate C. Tariff D. All except A

63. The trade policy of the present Ethiopian government

A. Discourage the participation of the private sector
B. Does not encourage gender quality
C. Encourage the development of Export
D. Does not allow for the participation of private sector in retailing trade.

64. Which of the following is not the major source of government revenue

A. A. value added tax C,. Tax from wage and salary
B. B. Agricultural income tax D. Business profit tax

65. The revenue side of the Ethiopian governments annual budget is composed of

A. Administrative general service, economic and social service
B. Recurrent budget and capital budget
C. Economic, social and general development
D. Ordinary revenue, external assistance and capital revenue

66. Which of the following is the largest contributor of federal government revenue in Ethiopia? A. Foreign trade tax C. Business profit tax

B. Domestic indirect tax D. Agricultural income tax

67. Which of the following is an example of direct tax?

A. Sales tax B. commodity tax C. income tax D. none of the above

68. Which of the following is financial institution in Ethiopia

A. The Ethiopian investment Agency
B. The Ethiopian air lines
C. The commercial bank of Ethiopia

D. Ministry of finance and economic development

69. Which one of the following is role and responsibility of the national bank of Ethiopia

A. A. to regulate money supply C. To regulate money demand
B. B. To control inflation D. To regulate interest rate

70. _____ is a deposit that can be with draw at any time without giving prior notice.

A. Time deposit B. Saving deposit C. Demand deposit D. non

71. One of the following is **not** the role and responsibility of the commercial bank of Ethiopia

A. provide loans to investor C. Control many supply
B. Accept deposit from households D. put legal reserves in national bank

72. When the marginal product of labour is equal to the average product of labour

A. marginal product of labour is at its maximum
B. marginal cost of production is at its minimum
C. marginal cost is equal to minimum average variable cost
D. average total cost is at its minimum

73. If total product of lobour is rising at an increasing rate

A. marginal product of labour is rising
B. marginal product of labour is at its minimum
C. marginal product of labour is at its maximum
D. Average product of labour is at its minimum

74. Return to scale are generalizations about the patturns of changes in output resulting from

A. Technological changes C. proportinzte change in the input use
B. Changing management D. Change case of production

75. Which of the following statement is **true** regarding the difference between economic cost and accounting cost

A. Accounting cost included all implisicit and explicit cost
B. Economic cost include implicit cost only

C. Accountants conseder only implicit cost

D. Accounting cost include only explicit cost