EDUCATIONAL ASSASSMENT AND EXAMINATIONS SERVICE (EAES)

ETHIOPIAN SECONDARY SCHOOL LEAVING CERTIFICATE EXAMINATION (ESSLCE)

ECONOMICS, Hamlie, 2016 E.C /July, 2024 G.C

Subject Code: 09 **Booklet Code: 684**

Time Allowed: 2:30 Hours **Number of Items: 80**

1. Which one of the following represents the increase in the quantity supplied of real GDP due to the increase in the price level?

   A. The right wards shifts of the aggregate supply curve
   B. The left wards shifts of the aggregate supply curve
   C. The downwards movements along the aggregate supply curve
   D. The upwards movements along the aggregate supply curve

2. When the economy is in the long run, which of the following is correct?

   A. Sticky wages and workers misperception still holds true.
   B. What the economy produces is the full employment real GDP.
   C. The short run and the long run real GDP will be the same.
   D. The level of real GDP the economy produces is less than the natural real GDP.

3. What is the pressure on price when the quantity demanded of real GDP is greater than the quantity supplied of real GDP during the short run?

   A. The price level rises
   B. The price level drops
   C. No pressure at all
   D. Initially downwards

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4. Which one of the following is correct about the economy when it is in long run equilibrium?

A. The economy produces the real GDP which is called the natural real GDP.
B. The short run aggregate demand curve intersects the short run aggregate supply curve.
C. The long run aggregate demand curve intersects the short run aggregate supply curve.
D. Price temporarily deviates from equilibrium even if aggregate demand and aggregate supply remain unchanged.

5. Which of the following represents an economic situation where there is an inefficient distribution of goods and services in the free market?

A. Externalities
B. Asymmetric information
C. Market failure
D. Free riding

6. What impacts on our aggregate demand do you expect if the level of economic activities in other countries increase?

A. Aggregate demand will increase.
B. Aggregate demand will decrease.
C. Aggregate demand remains unaffected.
D. Aggregate demand first declines and then rises.

7. Among the following, which one differentiates change in quantity demanded from change in aggregate demand?

A. As the price level falls, the quantity demanded of real GDP rises, ceteris paribus.
B. It is represented as a movement from one point to another along different demand curve.
C. A positive change in any factors causes a rightward shift in the AD curve.
D. It is a shift in aggregate demand curve from AD1 to AD2 on different curve.

8. Which of the following is correct about aggregate demand curve?

A. It represents the inverse relationship between the real GDP demanded and consumption expenditure, all else being equal.
B. It is a schedule that represents the amount of real output that sellers collectively desire to sell at each price, ceteris paribus.
C. It shows the inverse relationship between the amount of real output buyers desire to buy at each price, all else being equal.
D. It shows the inverse relationship between the amount of real output sellers desire to sell at each price, all else being equal.

9. What is the implication of the Keynesian horizontal aggregate supply curve?

A. Firms can supply whatever amount demanded at the existing price because of unemployment.
B. Firms can obtain much labour as they want as long as they pay more.
C. As output level changes, the average cost of production increases.
D. The labour market is in equilibrium with full employment of the labour force.

10. Which one of the following is the main factor that affects the amount of output firms are willing to supply?

A. The price of related goods produced by other firms
B. The price they receive for their goods
C. The level of economic activity in other countries
D. The price they anticipate to prevail in the future

11. Which of the following is **NOT** the cause of market failure?

A. Monopoly
B. Externalities
C. Factor immobility
D. Private goods

12. Suppose Sol-ech – company receives positive externalities from COMP. educated graduates subsidize computer education through scholarships. In which of the following group is this type of solution for market failure listed?

A. Voluntary collective action solutions
B. Government- imposed solutions
C. Private market solutions
D. Non – excludability

13. Which one of the following is an example of public goods?

A. Houses
B. Food items
C. Wilderness
D. Clothes

14. Which of the following characterize Public goods?

A. Rivalry and excludability
B. Rivalry and non – excludability
C. Non – rivalry and excludability
D. Non – rivalry and non – excludability

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15. Which one of the following factor is the reason for market inefficiency in the provision of public goods?

A. Externality
B. Free riding
C. Divisibility
D. High marginal cost

16. Which of the following macroeconomic policy involves by which the government manipulates its expenditure and revenue side?

A. Monetary policy
B. Fiscal policy
C. Income policy
D. Exchange rate policy

17. Which one of the following instrument is considered by the contractionary fiscal policy when there is an excess demand and inflationary pressure in the economy?

A. A decrease in expenditure
B. Reduction of taxes
C. An increase in expenditure
D. Reduction of revenue

18. A tight monetary policy is applied in circumstances where there is

A. high inflation.
B. high economic growth.
C. high unemployment.
D. slow economic growth.

19. If tight fiscal and monetary policies fail to address the problem of rising price level, what is the alternative policy that the government should consider?

A. Exchange rate policy
B. Trade policy
C. Income policy
D. Interest rate policy

20. Which of the following exchange rate regime is the one that is determined by the government political and economic decisions?

A. Floating exchange rate regime
B. Fixed exchange rate regime
C. Managed floating
D. Crawling peg regime

21. Which one of the following difference is the cause for efficiency loss in the presence of negative externality?

A. Between marginal social benefit and marginal private benefit
B. Between marginal social cost and marginal private cost
C. Between private marginal cost and marginal external cost
D. Between private marginal benefit and marginal external benefit

22. When an insurance company provides fringe benefits on the basis of an average rate over a set of employees and guarantee them to participate in the program, then this can be seen as a solution for which one of the following problem?

A. Adverse selection
B. Moral hazard
C. Signalling
D. Screening

23. Which of the following macroeconomic policies involves management of money supply and interest rate?

A. Fiscal policy
B. Exchange rate policy
C. Monetary policy
D. Income policy

24. Which one of the following is the monetary policy tool that involves the purchase and sale of securities by the nation's central bank?

A. Discount rate
B. Open market operation
C. Required reserve ratio
D. Government spending

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25. One of the following is considered to be fiscal policy tool. Which one is it?

A. Taxation
B. Investment
C. Grants in aid
D. Transfer payments

26. Which one of the following is correct about price ceilings?

A. It is one of the income policies that keeps a price from declining from certain limit.
B. It is a maximum price set by law to make basic consumption goods affordable to buyers.
C. It should be set above the equilibrium price to make it more effective.
D. It discourages consumers from buying goods and services since they are now paying higher price.

27. Suppose the value of an Ethiopian birr in terms of Kenyan Shilling is getting higher. What is the impact of this on the Ethiopian export to Kenya?

A. It will make the price of Ethiopian goods in the Kenyan market cheaper.
B. It will make the Price of Kenyan import in the Ethiopian market expensive.
C. It will increase Ethiopia's export earnings.
D. It will reduce Ethiopia's export earnings.

28. Which one of the following clearly defines taxation?

A. It is a voluntary payment.
B. It is the only source of government revenue.
C. It is levied without anything in direct return.
D. It encourages inexistence of government.

29. Which one of the following explains the tax principles called "canon of economy"?

A. Everyone should pay tax according to his ability.
B. The amount of tax that we are supposed to pay should be known in advance.
C. Every tax payer should pay the tax in his own convenient time.
D. The cost of tax collection should be as minimum as possible.

30. Which of the following is the implication of one of a good tax system that is referred to as broad based?

A. The system should impose tax on all people without discrimination.
B. The system should ensure that an income inequality is reduced.
C. The system should impose tax on income and properties and commodities.
D. The system should ascertain that national income and living standard is increasing.

31. Which one of the following is the advantage of fiscal decentralization?

A. Provide scale economies in the collection of taxes
B. Provide scale economies in the provision of public goods
C. Provision of public goods and services desired by local residents.
D. Effective to implement equity measures.

32. One of the following is considered to be the aim of fiscal decentralization. Which one is it?

A. Promoting regional partnership
B. Enhancing the role of private sector
C. Encouraging free movement of labour
D. Ensuring equity and efficiency

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33. Which one of the following is the reason for the federal government to make fiscal equalization payments to local governments?

A. To enhance intergovernmental competition
B. To discourage fiscal centralization
C. To encourage innovation in those goods and services provided locally
D. To narrow regional gaps in the provision of basic public services

34. What is the reason for the growing need for conservation of environmental resources?

A. These resources are underutilized.
B. These resources are finite.
C. Their use is less costly.
D. Most of these resources are infinite.

35. What is the cause for rising greenhouse gases in the earth's atmosphere?

A. An increase in afforestation program
B. A decrease in deforestation due to government policy
C. An increase in hydropower generation
D. The decomposition and disposal of waste

36. Among the following direct taxes, which one is a tax that is imposed on the land and buildings?

A. Income tax
B. Property tax
C. Transfer tax
D. Capital gain tax

37. Which one of the following is an objective of taxation?

A. Reducing income disparity
B. Promoting consumption of harmful products
C. Widening regional imbalance
D. Encouraging import

38. The burden and incidence is imposed by one of the following tax categories on different individuals. Which one is it?

A. Payroll tax
B. Corporate income tax
C. Value added tax
D. Rental income tax

39. In Ethiopia, which one of the following institution is responsible to collect tax on behalf of the government?

A. The Ministry of Finance
B. The Central Bank
C. The Commercial bank
D. The Ministry of Revenue

40. Which one is the type of indirect tax imposed on luxury items and other goods that are demand inelastic when the goods is imported?

A. Value added tax
B. Turnover tax
C. Excise tax
D. Withholding tax

41. Which one of the following explains climate change?

A. It refers to an average weather pattern over many years.
B. It is expressed in terms of daily changes in rainfall and humidity.
C. It is a short term changes in the atmosphere conditions.
D. It is the problem of the developed world only.

42. Which one of the following indicates the direct health dimension of the impacts of climate change?

A. Drought
B. Expansion of desertification
C. Water shortages
D. Malaria

43. Which one of the following is said to have more than 20% contribution to harmful greenhouse gas emissions in the developing countries?

A. Burning of fossil fuel
B. Carbon dioxide emission
C. Deforestation
D. Nitric oxide emission

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44. The effort that poor developing economies exerts to bring growth and development is jeopardized due to

A. lack of support for adaptation from the developed countries.
B. allocation of a good proportion of their budget to finance adaptation.
C. high dependence on climate insensitive resources.
D. absence of mitigation and adaptation mechanisms.

45. What action has been taken by the government to address climate change problems in Ethiopia?

A. Implementation of Climate Resilient Green Economy facility
B. Taxes on carbon emission to avoid the problem of climate change
C. Provision of incentives to encourage technological progress
D. Achieving economic growth and development in any possible ways

46. Which one of the following features characterizes the National development plan during the Derg period?

A. The main development strategy was agriculture led development.
B. Private commercial farming was encouraged.
C. Land tenancy still existed.
D. Cooperatives were encouraged.

47. Which one of the following is the key priority area that is considered to be the basis for the locally developed economic reform program recently?

A. Sustainable rural development
B. Widening the demographic dividend
C. Uni - polar source of growth
D. Inclusive financial sector development

48. Which one of the following factor is the one that necessitated the formation of the home – grown economic reform in Ethiopia?

A. The crowding out public investment by private investment
B. The failure of gradual transition from private to public sector led growth
C. Failure to create additional job opportunities
D. Continuous inflow of external finance

49. Which one of the following is duly emphasized in one of the home -grown economic reform called sectoral reform?

A. Service sectors
B. External Trade
C. Internal trade
D. Tourism

50. Which one of the three home - grown economic reforms is mainly concerned with minimizing external loan and rescheduling the existing external public debt?

A. Growth and transformation plan
B. Macroeconomic reform
C. Sectoral reform
D. Structural reform

51. Which of the following indicates the rank of Ethiopia in its human development despite the effort made to reduce the headcount poverty over the past twenty years?

A. Low human development index
B. Low Gini coefficient
C. Low poverty gap
D. Low headcount ratio

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52. Which one of the following is the common feature of both "Idir" and "Iqub"?

A. In both, members assist each other on a rotational basis.
B. Both are formal financial institutions.
C. "Mutual benefit" is their motto.
D. In both, the strong ties among members encourage defaults.

53. What was the objectives of the first five year development plan that was formulated during the imperial era from 1957 to 1961?

A. Expansion of educational opportunities
B. Promotion of commercial agriculture
C. Product diversification
D. Promotion of industries aiming towards export

54. Which one of the following development plan of the imperial period had more focus on the agriculture sector to address the problem of increasing food shortages?

A. The First five year plan
B. The Second five year plan
C. The Third five year plan
D. The Fourth Five year plan

55. In Ethiopia, which of the following has got particular attention in the past yet characterized as the lowest productive in its performance?

A. Agricultural sector
B. Mining sector
C. Tourism sector
D. Trade sector

56. What does the Gini coefficient of 1 represent?

A. Perfect equality of income
B. Moderate inequality of income
C. Moderate equality of income
D. All income owned by one person

57. Which one of the following country has made great success in lifting millions of people out of poverty in the past three decades?

A. Brazil
B. Russia
C. China
D. Ethiopia

58. What is the reason for extreme poverty to remain a challenge in Sub Saharan African countries?

A. Existence of efficient institutions
B. Absence of mitigation policies
C. Lack of growth and development plans
D. Lack of using indigenous knowledge

59. What is the reason for women to experience extreme poverty in the developing world?

A. Dominance of male - headed households
B. The earning capacity of women is high
C. Their control over their spouses' income is limited.
D. Their access to the formal sector employment is high.

60. Which one of the following is among the measures that should not be considered to alleviate the problem of poverty facing women?

A. Adoption of policy that integrates women in various programs and influences their welfare
B. Increasing female participation in education and other training programs
C. Enhancing female participation in formal sector employment
D. Discouraging women activity in agricultural extension programmes

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61. Which one of the following expresses the classical view?

A. The economy will move towards full employment of GDP.
B. Expansionary fiscal or monetary policy is necessary.
C. Demand side policies only affect the real wage, employment and output.
D. Monetary policy has effects on the real sphere of the economy.

62. What is the important lesson the world has learnt from the 1930's Great Depression?

A. The self – correcting feature of the market works
B. The additional government spending will stimulate unemployment.
C. The possibility of real GDP to fall below the potential GDP is nil.
D. The importance of active stabilization policies

63. Which one of the following school of thoughts suggested that the Central bank should follow a constant growth rule for some monetary aggregate to address macroeconomic problems?

A. Keynesian
B. Classical
C. Monetarism
D. New Keynesian

64. Which one of the following is the component of aggregate demand that includes private purchases of structures, equipment's and accumulation of inventories?

A. Consumption
B. Investment
C. Government Purchases
D. Net Exports

65. In macroeconomics, the current consumption expenditure is likely to increase due to

A. expectation of lower price in the future.
B. increase in income tax.
C. increase in interest rate.
D. expectation of higher future income.

66. Which one of the following is a branch of economics that studies about the aggregate behavior of the economy?

A. Microeconomics
B. Macroeconomics
C. International economics
D. Development economics

67. Among the following, which one is a macroeconomic issue?

A. Actions of an individual agent within an economy
B. The economic activities of a consumer, a producer or industry
C. Resource allocation or price determination as central problem
D. Structure and performance of the economy as a whole

68. Which of the following is used to calculate GDP by adding all the incomes accruing to all factors of production used in producing the national output?

A. Product approach
B. Expenditure approach
C. Income approach
D. Value added approach

69. Which one of the following characterizes period of expansion in the business cycle?

A. Unemployment rises at this stage.
B. The pressure on prices is upward.
C. Economic growth slows down.
D. Full employment occurs at this stage.

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70. In which of the following is the market values of country's exports and imports of goods and services are shown?

A. Capital account
B. Terms of trade
C. Current account
D. Budget surplus

71. Which one of the following is the problem of taxation in Ethiopia that is considered to be legal from the point of view of law but poses problems on the tax administration?

A. Tax evasion
B. Tax avoidance
C. Tax compliance
D. Unreported transaction

72. What remedial solutions do you think should be put in place to alleviate tax collection problem in Ethiopia?

A. Provide client oriented service to tax payers
B. Lowering the tax rate far below the current rate
C. Following broad based tax system
D. Adopting expansionary fiscal policy

73. The World Bank defines poverty as ''the pronounced deprivation in wellbeing''. Which one of the following is **NOT** the implication of wellbeing?

A. The poor are those who do not have any control over commodities.
B. It relates poverty with some specific types of consumption.
C. It relates to lack of key capability to function in the society.
D. Poverty is only about the lack of one thing, food.

74. Which one of the following is a Uni-dimensional measure of poverty that helps to understand the degree of income inequality among the poor?

A. Total poverty gap
B. The Foster – Greer – Thorbecke Index
C. Multidimensional poverty index
D. Poverty headcount ratio

75. One of the following shows the proportion of total national income that factors of production receives. Which one is it?

A. Personal distribution of income
B. Size distribution of income
C. Functional distribution of Income
D. Income distribution

Item 76 to 80 are to be attempted by non-visually impaired candidates only

76. Consider a hypothetical economy in which a consumer buys 2kg of apples and 5kg of oranges at the price of birr 150 and 70 per kilogram respectively in 2016 E.C. If in 2015 E.C. the prices of these two goods, apple and orange, were birr 125 and 55 per kilogram respectively, then what is the rate of inflation during the year 2016 E.C. assuming that 2015 E.C. is base year?

A. 10.28%
B. 17.65%
C. 23.80%
D. 21.33%

77. Suppose that the nominal wage that the firm has agreed to pay for worker is birr 60 per hour. What is the change in the real wage rate if the price level as measured by the price index increases from 2.50 to 3.00?

A. The real wage rises by 4 birr.
B. The real wage declined by 4 birr.
C. The real wage declined by 6 birr.
D. The real wage rises by 6 birr.

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78. Gemechu is employed in an Ethiopian public institution and his monthly gross salary is 18,000 birr. How much is his net income after paying employment income tax?

A. 13,200 birr
B. 11,700 birr
C. 6,300 birr
D. 13,555 birr

79. Suppose in a given economy the population who are willing and able to work is 5 million and out of this the total number of employed are 2 million. What is the unemployment rate?

A. 40%
B. 70%
C. 30%
D. 60%

80. A census that was conducted in a particular economy shows that the total adult population is 27 million and those who are willing and able to work is 6 million. What is the labour force participation rate in this economy?

A. 12.18%
B. 15.73%
C. 22.22%
D. 25.37%

Item 81 to 85 are to be attempted by visually impaired candidates only

81. Which one of the following is the main possible impact in a given economy if it decides to devalue its currency?

A. It deteriorates the current account balance.
B. Residents will find imports cheap.
C. Export will be less expensive.
D. It discourages domestic industries.