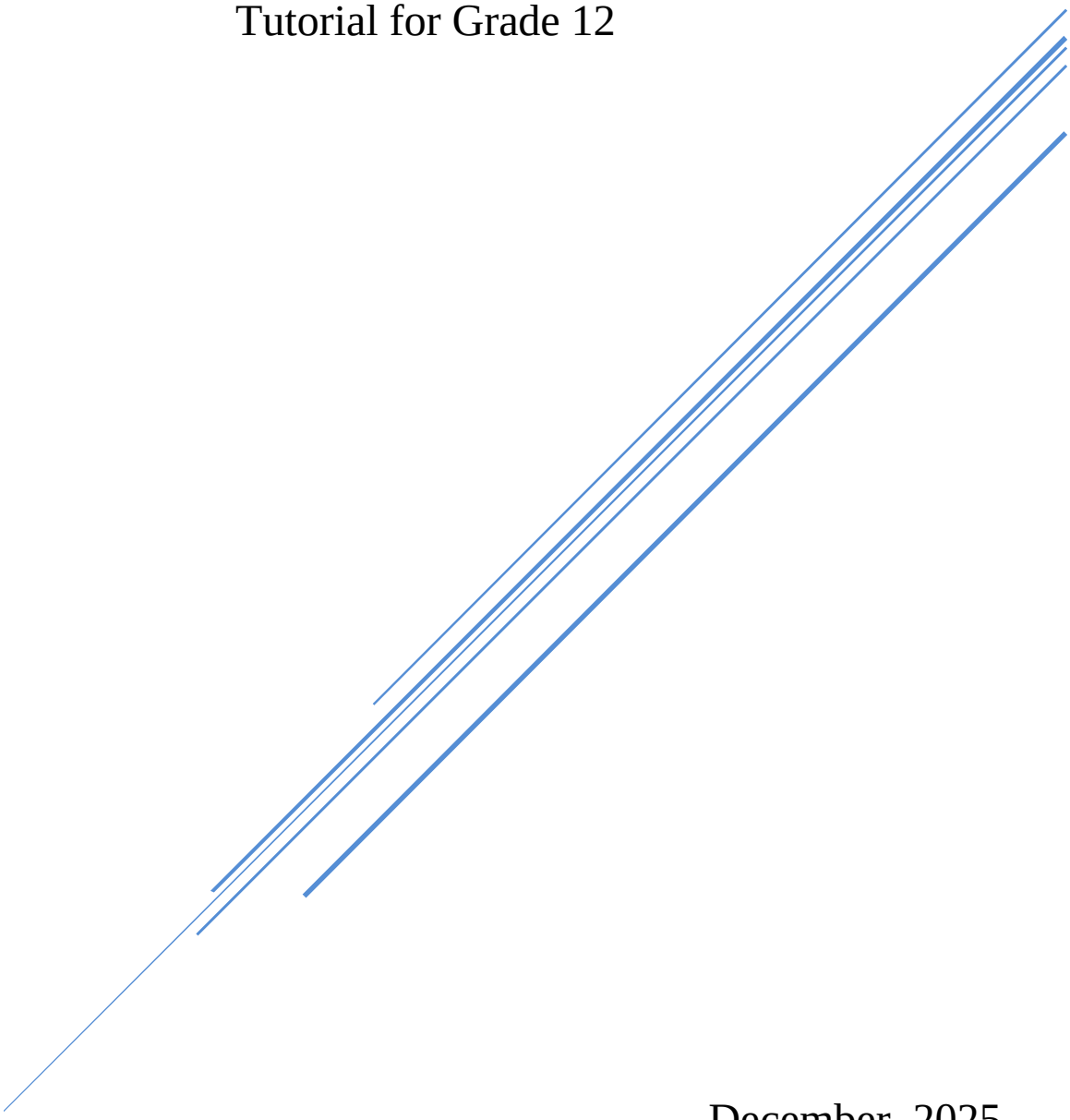
ECONOMICS WORKSHEET ATTENDING CLUSTER-CENTERED TUTORIAL FOR GRADE12

Tutorial for Grade 12



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ECONOMICS GRADE: 12th WORKSHEET-3

INSTRUCTION I: For the following question choose the best answer from the given alternatives

1. Which of the following is indicating autonomous consumption?
   A. Dependent on income C. Independent of disposable income
   B. Zero when income is zero D. Negative at low income
2. Autonomous consumption refers to:
   A. Consumption that occurs even when income is zero
   B. Consumption that depends on interest rates
   C. Consumption that rises with income
   D. Induced consumption
3. Adam Smith, one of the founders of modern economics, stated that "Consumption is the sole end and purpose of all production." Which of the following best expresses this idea?
   A. Investment is the final goal of all production.
   B. Employment is the most important objective of production.
   C. Consumption is the ultimate purpose of all production activities.
   D. Profit maximization is the main end of all economic activities.
4. According to Keynesian consumption function, as disposable income rises, consumption also rises but not necessarily by the same proportion. Which statement below reflects this idea correctly?
   A. Consumption and disposable income are unrelated.
   B. Consumption is constant, regardless of changes in income.
   C. Consumption always equals income
   D. Consumption increases with disposable income, but at a decreasing rate..
5. In the consumption function C=C0+cYd, economists separate total consumption into two parts, autonomous consumption and induced consumption. Which component does C_0 represent?
   A. The part of consumption that varies directly with income.
   B. The part of consumption that remains even when income is zero.
   C. The savings portion of income.
   D. The level of income needed to start consumption.
6. Even if a person has zero disposable income, they may still consume goods such as food, rent, or basic necessities by borrowing or using past savings. What is this level of consumption called in Keynesian theory?
   A. Autonomous consumption C. Marginal consumption
   B. Induced consumption D. Disposable income
7. When income is very low, people often spend more than they earn, possibly by using credit or borrowing. Under such circumstances, the ratio of total consumption to income (APC) may become greater than 1. Which situation below best explains this?
   A. When income is very high. C. When income is very low and people dissave.
   B. When income equals total saving. D. When there is no autonomous consumption.
8. As national income increases, total saving also increases, but not necessarily in the same proportion as income. Which of the following best describes this relationship?
   A. Saving decreases as income rises. C. Saving remains constant.

B. Saving always increases faster than income D. saving increases but at a slower rate than income.

9. Governments often encourage people to save by offering higher interest rates, tax reliefs, or secure financial institutions. What is the main economic purpose of such policies?
   A. To increase present consumption. C. To encourage capital formation and future growth.
   B. To reduce investment. D. To discourage imports.
10. Investment is an essential component of aggregate demand because it determines the future productive capacity of an economy. Which of the following statements best defines investment in economic terms?
   A. The act of buying shares on the stock market.
   B. Expenditure on new capital goods such as machinery, buildings, and equipment.
   C. Spending on consumer goods like food and clothing.
   D. The total money held by firms for future use.
11. When firms experience higher profits and rising demand, they often increase their investment in capital equipment. Such investment that responds directly to changes in income or output is known as:
   A. Autonomous investment. C. Replacement investment.
   B. Government investment. D. Induced investment.
12. A growing national income leads to greater business confidence and expansion of productive capacity. According to the theory of induced investment, this relationship means that:
   A. Investment increases as income increases. C. Investment falls when income rises.
   B. Investment remains constant regardless of income. D. Investment equals depreciation.
13. When a country experiences positive net investment, it means that:
   A. Its capital stock is shrinking. C. Its productive capacity is increasing.
   B. Depreciation is greater than new investment. D. Its output is falling.
14. Investment spending that merely replaces worn-out machinery or equipment, without adding new productive capacity, is called:
   A. Autonomous investment. C. Induced investment.
   B. Replacement investment. D. Net investment.
15. The relationship among consumption, saving, and investment is important because:
   A. They jointly determine national income and output. C. Saving reduces income.
   B. They are independent of each other. D. Investment causes consumption to fall.
16. In the Keynesian consumption function, the constant term represents:
   A. Income elasticity of consumption C. Rate of induced consumption
   B. Minimum consumption independent of income D. Marginal propensity to save
17. Which of the following factors does not directly determine consumption expenditure?
   A. Distribution of income C. Government budget deficit
   B. Rate of interest D. Expectations about future prices
18. Which of the following is not a determinant of saving?
   A. Level of income C. Distribution of income
   B. Rate of interest D. Consumer taste and preference
19. If at zero income, a household's consumption is 300 ETB and MPC = 0.8, what is its saving when income = 1000 ETB?
   A. -300 B. -100 C. 200 D. 100
20. Which of the following is indicate public-private partnerships?

A. Competition between government and firms
B. Joint projects between public and private sectors
C. Replacing public services with private ones
D. Nationalizing private enterprises

21. Market failure results when individual rational decisions:
    A. Lead to optimal group outcomes C. Lead to worse outcomes for the group
    B. Are the same as government decisions D. Follow moral rules
22. An example of a special interest group causing market failure is:
    A. Workers demanding fair wages
    B. A group lobbying for tariffs that benefit them but harm consumers
    C. Environmental groups promoting recycling
    D. Firms investing in clean energy
23. Common types of market failure include all except:
    A. Externalities C. Monopoly
    B. Factor immobility D. Perfect competition
24. Public goods are hard to produce privately because:
    A. They are non-rival and non-excludable C. They are expensive to advertise
    B. They generate negative externalities D. Only governments can use them
25. Providing scholarships for technology education by tech firms is an example of solving:
    A. Negative externality C. Market surplus
    B. Positive externality D. Monopoly problem
26. Which of the following is used to Subsidies?
    A. Reduce positive externalities C. Discourage good behavior
    B. Encourage beneficial activities D. Increase costs of production
27. Which shows the pure private goods?
    A. Non-rival and non-excludable C. Non-rival and excludable
    B. Rival and excludable D. Rival and non-excludable
28. Goods like public parks or toll roads are examples of:
    A. Pure public goods C. Impure public goods
    B. Private goods D. Free goods
29. Which of the following is the free rider problem?
    A. Under-provision of public goods C. Efficient markets
    B. Overproduction of public goods D. Higher prices
30. Which of the following is refers to Information asymmetry?
    A. All parties have equal information C. Buyers and sellers have unequal information
    B. Markets are transparent D. The government intervenes

31. When individuals act rationally but collectively become worse off, this is:
    A. Collective efficiency C. Pareto optimality
    B. Monopoly D. Market failure
32. A positive externality exists when:
    A. Someone's consumption reduces others' welfare.
    B. Someone's consumption increases others' welfare without payment.
    C. A firm pollutes a river.
    D. A government imposes a tax.
33. Which of the following is refers positive externality?
    A. River pollution C. Noise from construction
    B. Factory smoke D. Education improving society's knowledge
34. Externalities are reciprocal, what it is refers to?
    A. They affect only producers C. Both injurer and injured affect each other
    B. They affect only consumers D. They can't be solved
35. Pollution, global warming, and climate change are examples of:
    A. Positive externalities C. Market equilibrium
    B. Negative externalities D. Merit goods
36. Which of the following is the most describe externalities?
    A. Free market perfection C. The actions of one firm
    B. Government regulations D. Combined actions of multiple parties
37. In the presence of externalities, markets fail to allocate resources efficiently because:
    A. Marginal social cost equal to Price C. Prices include external effects
    B. Marginal social cost not equal to Price D. Supply and demand always balance
38. Overproduction occurs in the case of:
    A. Positive externalities C. Tax per unit equivalent externality
    B. Subsidies D. Negative externalities
39. The area representing deadweight loss in a negative externality diagram is due to:
    A. Overproduction C. Tax imposition
    B. Underproduction D. Market competition
40. Which is refers to underproduction in externalities:
    A. Positive externalities C. Monopoly
    B. Negative externalities D. Perfect competition
41. According to Coase Theorem, efficiency can be achieved through:
    A. Government taxes C. Price control
    B. Private bargaining between affected parties D. Trade restrictions
42. A per-unit subsidy equal to the difference between MSB and MPB:
    A. Reduces output C. Increases external costs
    B. Creates deadweight loss D. Helps achieve socially optimal output
43. Which is refers to adverse selection in asymmetric information?
    A. Hidden action problem C. Free rider problem
    B. Hidden information problem D. Price rigidity

44. What is the consumer protection means:
    A. Maximizing producer profits
    B. Increasing market prices
    C. Promoting monopoly
    D. Safeguarding consumers' interests and rights
45. A malpractice example leading to consumer exploitation is:
    A. Sale of adulterated or duplicate goods
    B. Accurate pricing
    C. Truthful advertising
    D. Standard quality control