ECONOMICS MODEL EXAMNATION FOR GRADE 12TH

DIRECTION: This booklet contains economics examination for grade 12th. The examination contains 75 items. There is only one best answer for each item. Choose the best answer from the suggested option and write the letter of your choice on the answer sheet.

You are allowed to work on the exam for 2:30 hours.

1. If an economy is operating at a point inside the production possibilities curve.
   A. Its resource are being wasted.
   B. The curve will being to shift in ward.
   C. The curve will being to shift out ward.
   D. An economy cannot produced at a point inside the curve.
2. The quantity demanded of a good or service is the amount that
   A. A consumer would like to buy but might not be able to afford.
   B. Is actually bought during a given time period at a given price.
   C. Consumer plan to buy during a given time period at a given price.
   D. Firms are wiling to sell during a given time period at a give price.
3. Which one of the following statement is **Not true**
   A. Demand for a good and price of its complementary good are inversely related.
   B. Economic growth can occur when there is an increase in quantity and quality of economic resource.
   C. All other factors being constant. Change in quantity demanded shift the demand curve either to the left or to the right the original demand curve.
   D. The demand for a good is negatively related to its price

4. The basic decision must be made by all economies are
   A. How much will be produced, when it will be produced, how much it will cost
   B. How the opportunity cost principle will be applied, how the law of comparative advantage will be utilized, whether the production possibilities constraint will apply.
   C. What will be produced ,how goods will be produced, for whom goods will be produced.
   D. What the price of each good will be ,who will produced each good, who will consume.
5. Suppose there are 100 identical buyers of commodity "A" in a market with an individual demand function of **Qd=7-1.5P** and 100 identical producers of the same commodity each with supply function of $\mathbf{Q^s= -2+3P}$.what will be the market clearing price –quantity combination ?
   A. (4,450) B. (2,400) C. (2,450) D. (2,900)
6. Sena consume two different goods say **x** and **y** cretries paribus, senas income increase by birr 10,000 a years. As a result she decrease the quantity of good **x** she buys. For sena good x is
   A. An normal good C. substitute
   B. Is complement good D. an inferior
7. " as the consumer has more and more of good x,she/he is prepared to forgot less and less of good y: this statement is
   A. Law of equi- marginal utility.
   B. Diminishing marginal rate of substitution
   C. Law of diminishing marginal utility
   D. Law of consumers equilibrium

8. All are the major causes of unemployment in Ethiopia except
   A. Low level of investment
   B. Low level of entrepreneurship
   C. Low level of education.
   D. Lower level of national growth
9. A perfectly competitive firm produces 150 units of a good and the price per unit of a good is bir12. If the given firm is known to earn a normal profit of birr 4per unit, how much is the firm total cost of production at this level.
   A. Br 2000 B. Br 1200 C. Br 2100 D. Br 1500
10. Which one of the following is a positive economic statement ?
   A. The sales tax on food should be replaced.
   B. Taxes should be raised to halt inflation
   C. Social conscience demand that we increase the minimum wage.
   D. An increase in the price butter causes consumers to buy less butter.
11. A balance budget is present when
   A. The economy is at full employment.
   B. The actual level of aggregate spending equal the planned level of spending
   C. Government revenues equals expenditure
   D. Public sector spending equals private sectors spending
12. In the long run
   A. Variable cost equal fixed costs.
   B. All cost are fixed costs.
   C. Fixed cost are greater than variable costs.
   D. All cost are variable costs.
13. Consider the average income of Ethiopia consumer rise by 15 percent and the price of wheat does not change. As a result the quantity demanded for wheat increased by 6o percent, then the income elasticity of demand for wheat is

A. Zero B. 4.0 C. Negative D. 0.25

14. Which one of the following is **Not** among the methods of controlling inflation by the government.
    A. Reduction in government t expenditure.
    B. Increase in tax rates.
    C. Decrease in cash reserve ratio by the central bank.
    D. Increase in public borrowing.
15. The following are restrictions that a nation use to control the import of goods, **Except.**
    A. Bill of exchange
    B. Quotas
    C. Exchange control
    D. Tariffs
16. According to national account of Ethiopia which one of the following is different from the rest
    A. Education
    B. Communication
    C. Construction
    D. Transportation
17. Lense loves sweet chocolate. As the price of chocolate increase from bir 1 to br 2 to br3, Lense continuous to by the same amount every week. Lense's demand for chocolate.
    A. Elastic
    B. Perfectly inelastic
    C. A horizontal demand curve
    D. Unit elastic
18. A firm's opportunity costs
    A. Equal its explicit cost
    B. Do not include implicit costs because implicit cost have no monetary value
    C. Include explicit cost and implicit cost
    D. Increase when economies of scope exist
19. Which one of the following excluded among changes observed after the overthrow of the Derg regime?
    A. Dissolution of producer's and service cooperatives.
    B. Encouraging small –holders and private commercial farms.

C. Abolition of compulsory of food grain quotas.

D. Enhancement of public investments in state farms.

20. Which farming system is dominant in Ethiopia?

A. Small holder

B. Commercial farm

C. Pastoral farming

D. state farms

21. A duopoly occurs when

A. One producer of two goods sells the goods in a monopoly market.

B. Two producer of two goods compete in an oligopoly market.

C. Two producers of particular good compete in the same market.

D. Numerous producers of two goods compete in a competitive market.

22. An income tax that at a marginal rate that increase with the level of income is

A. Proportional B. Regressive C. progressive D. fair

23. Import intensity refers to

A. The total value of imported machinery, equipment, spare part, raw materials etc in the year.

B. The excess of import over exports in a nation.

C. Debt burden.

D. The ratio of value imported raw material to the total value of raw material used

24. The principal role of government in an economy include all ,**Expect**

A. Promote economic growth.

B. Maintain law and order.

C. Providing goods and services

D. Bringing equitable distribution among citizen

25. Which one of the following is **Not** the function of NBE?

A. Deposit government money.

B. Issue letters of credit to facilitate import and export trade.

C. Manage the international reserve of the nation.

D. Determine the exchange rate.

26. All are the causes for the existence of monopoly, **Except.**
    A. Government policies such as foreign trade resections.
    B. Exclusive knowledge of technology by the firm
    C. For avoidance of exploitation of the consumer
    D. Production process give illegal monopoly right to firm.
27. All but one is **Not** direct fax
    A. Personal income tax
    B. Rental income tax
    C. Sales tax
    D. Property tax
28. The coefficient of elasticity of supply of a commodity is 3. A seller supplies 24 unit of this commodity at a price of birr 8 per unit. What quantity of this commodity will the seller supply when price rises by birr 10 per unit?
    A. 114 unit B. 104 units C. 420 units D. 411 units
29. The type of unemployment caused by change in the business cycle is
    A. Structural unemployment.
    B. Natural unemployment.
    C. Frictional unemployment.
    D. Cyclical unemployment.
30. Which of the following will most likely increase aggregate supply in the long run?
    A. Unfavorable weather conditions in agricultural areas
    B. An increase in the expected inflation rate.
    C. A high rate of the capital investment, which expands the future supply of productive resources.
    D. Higher real interest rates.
31. Which one is **Wrong** about an indifferent curve?

A. Indifferent curves are negatively slopped.
B. On the same indifference curve but different points of it may consumer set different satisfaction
C. Indifference curve can never cross each other.

32. Suppose consumption increase from birr 10 Million to birr 10.5 million, when disposable income increase from 10.5 million to birr 11.5 million the MPC is

A. 0.50 B. 0.75 C. 0.80 D.0.90

33. Which one the following is **Not** true about the Ethiopia's external trade?

A. The country's export is dominated by few primary agricultural products.
B. The country import is dominated by manufactured goods.
C. Ethiopia is a price taker in almost all of its exports and imports.
D. The percentage share of the Ethiopia coffee export has been increasing.

34. Assume the firm is producing 20 unit of output. It is selling this out put in a perfectly competitive market at birr 10 per unit. Its total fixed costs are birr 100and its average variable cost is birr 3 at 20 units of output. This firm

A. Is realizing a loss of birr 60.
B. Should shut down in the short run
C. Is realizing an economic profit of birr 40.
D. Is maximizing its profit.

35. One of the following is **Not** the challenge faced by EPRDF's development plan during 2002/03-2004/05

A. Less support given by the donors.
B. Poor rainfall experiences.
C. Financial crises of 2008/09.
D. High support given by the donors.

36. One of the following is excluded among assumptions of indifference curve approach theory.

A. Complete ordering
B. Homogeneity
C. Consistency
D. Transitivity.

37. In the book market, the supply of book will decrease if any of the following occur, **Except.**
A. A decrease in the number of book publishers.
B. An increase in the future expected price of a book.
C. An increase in the price of paper.
D. A decrease in the price of a book.

38. Among the following one is **Not** include in the economic cost of unemployment
A. Exploitation of labor.
B. Contribution to production and income.
C. Loss of economic growth.
D. Increase in properly.

39. The consumption function of Ato Dema is given as **C=50+0.8yd**. If Ato Dema's personal disposal income is birr 600. What is the total consumption and saving respectively?
A. 600,80 B. 350,70 C. 530,70 D. 442,80

40. All of the following **Not** be include in measuring GDP, Except.
A. Cost of environmental damage.
B. Transfer payment
C. Distribution of income across house hold
D. Personal consumption expenditure.

41. The major objectives of primary education in Ethiopia.
A. Preparing students for further education.
B. Enabling student to identify area of interest for further education.
C. Preparing them for higher education.
D. Achieving functional literacy.

42. Suppose a perfectly competitive firm has the following cost and revenue function

$TC==Q^3-14Q^2+69Q+128$

$MC=3Q^2-28Q+69$

$TR=60Q$

What is the profit maximizing out put level?

A. 9 B. 5 C. 6 D. 3

43. The magnitude of Profit /loss for question number 42 above is

A. 619 B. 190 C. 196 D 344

44. A budget line

A. Can shift to the right when a consumer's income increase .

B. Can shift out ward if a price of the two goods increase equally.

C. Has a slope convex to the origin .

D. Shows the willingness of consumer to substitute one good for another

45. Which of the following does **Not** refer to macroeconomics

A. The study of the aggregate level of economic activity.

B. The study of cause of unemployment.

C. The study of the price of a particular product increase or decrease.

D. The study of cause of inflation

46. Which one is **Not** true about effect of liberalization measure under taken post-1991

A. Access to license and legal recognition are relatively easy.

B. Role and intervention of government increased.

C. Traditional private marketing system has shown revival.

D. Market type and market channels are diversified

47. World price for Ethiopian coffee depend on

A. Supply of Ethiopian coffee
B. The demand for Ethiopian Coffee
C. The amount of demand in the world
D. The performance of major coffee suppliers to the world

48. The interaction of aggregate demanded and aggregate supply determines
A. Money supply, interest rate and government expenditure
B. Government expenditure, investment and net export
C. Exchange rate, general price level, and interest rate
D. General price level, output, and employment

49. Which one of the following is correct about the distribution of goods and services during the Deg period
A. Quota allocation and rationing
B. Quota allocation and personal demand
C. Interest of the private sector.
D. By personal demand only.

50. All are true about problems of developing countries, **Except**
A. An equitable income distribution.
B. Increasing unemployment.
C. Depletion of natural resource.
D. Environmental degradation

51. All are true about perfectly competitive market ,**Except**
A. Market price is determine by the industry.
B. Firms producing a homogenous product and individual firm can influence the price of a commodity.
C. Average revenue curve and demand curve are the same.
D. TR curve straight line to the Origin.

52. Which one of the following statement is **No**t True about the agricultural polices during Derg?
A. The Derg's agricultural policy was entirely uni- modals.

B. Derg's basic ideological principle was based on socialist transformation of agricultural
C. The agriculture sector can serve as the driving force for the rest of the economy.
D. Gave priority to the agricultural sector.

53. Among the following statement one is **Not** True about ADLI
A. Strengthening inter sector linkage between agricultural and industry.
B. Expanding the domestic market for industrial products
C. Encourage the manufacturing industry to be import depend
D. Support the industrial development is directed to use local raw materials.

54. Among the eight MDGs, which goals directly linked with health sector?
A. Eradicating extreme property and hunger.
B. Reducing child mortality.
C. Achieving universal primary education
D. Promoting gender equality and empowering women.

55. Which one of the following is **Not** objectives of structural adjustment program(SAP)
A. Revival of economic growth.
B. Reducing macroeconomic distortion.
C. Improving economic efficiency and resource allocation.
D. Discourage the development of private sector.

56. Which sector is the second largest sector in the Ethiopia economy?
A. Industry B. Agriculture C. Service D. Manufacturing

57. All are include in recurrent budget of government **Except**
A. Salaries of civil servant.
B. Construction of infrastructure
C. Purchase of raw materials
D. Pension payment.

58. The accumulated skill and knowledge of human beings is

A. Human capital
B. Educational
C. Human worth
D. Opportunity cost of education

59. Suppose the total cost of a producer of a commodity in short run is give by the equation

$T=3000+Q^2+Q$

When affirm produces 10 units of a commodity what will be the amount of total cost.

A. 3110 B. 1310 C. 3100 D. 1103

60. The amount of total fixed cost for question number 59 above is

A. 100 B. 3110 C. 3000 D. 300

61. When the short run MPL is negative

A. TP is also negative
B. TP is decline
C. TP is rising at a constant rate
D. TP is rising but at a diminishing rate

62. The short run is characterized by

A. A plenty of time for firms to either inter or leave the industry
B. Increasing but not diminishing return
C. Fixed plant capacity
D. Zero fixed cost

63. The fundamental source of scarcity is

A. The consumer income is very high.
B. Over population of developing country.
C. The limitation of resources.
D. Excessive government spending.

64. Which of the following is generally true

A. Regressive taxation is advantage to low income tax payers.

B. Devaluation of a currency makes export expensive.
C. Quasi money include saving and demand deposit.
D. Devaluation of a currency makes export cheaper

65. Economic growth is best indicated by
A. Increase in government expenditure
B. Increase in gross domestic product.
C. Increase in aggregate consumer expenditure
D. Increase in the aggregate stock of money.

66. If the price of commodity **A** changed from birr 25 to birr 30 and the quantity demanded of the other commodity **B** increase from 50 unit to 6o units what will be the cross price elasticity of supply?
A. More elastic
B. Less Elastic
C. Unit elastic
D. Inelastic

67. The consumption function is the relationship between
A. Level of consumption and investment.
B. Level of income and consumption.
C. Level of income and saving.
D. Level of consumption and saving.

68. Which of the following statement is **Wrong?**
A. It would be advantageous, but it is impossible producing all commodities locally.
B. Internal trade increases both consumption and production level
C. The capital account in a balance of payment record loans received from abroad, among other thing.
D. Domestics trade enable a country to consume and produce more than it could without trade.

69. Identify the **Wrong** statement about income consumption curve

A. ICC shows the way in which consumption varies as income of the consumer change (price remain constant).
B. ICC can be obtained by joining point of tangency between different budget line and indifference curve
C. In case of normal goods, ICC slopes down ward to the left.
D. In case of normal goods ,ICC slopes upward to the right.

70. A nation is a said to have an absolute trade advantage over another nation if
A. The country produces a product with higher cost.
B. The country produces a product with lower cost.
C. The country sales its product with higher price.
D. The country produces product most effectively and efficiency.

71. The two extreme market situation which are not found in real life are.
A. Perfectly competitive and pure monopoly.
B. Perfect completion and monopolistically competitive.
C. Oligopoly and monopoly.
D. Monopolistically competitive and oligopoly

72. One of the following is **Not** include in the indicator of the performance of the industrial sector.
A. Gross value of output.
B. Value added at factor cost.
C. Value added at market price.
D. Net factor income from abroad.

73. In two-sector circular flow model ___ are the supplier in the _____ market
A. Government, product.
C. House hold, resource.
B. Firms, product.
D. House hold, product

74. Which one is different from the rest?
A. Gross enrollment rate.
C. Maternal mortality rate.

B. Child mortality rate. D. Life expectancy at birth

75. Among the following which one is **Not** the major health sector problem in Ethiopia

A. Limited physical access to health facilities.

B. In adequate budgetary allocation and low level of management.

C. Low equality.

D. High resource utilization capacity.

ENTRANCE-PREPARATION

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