YEKA SUB CITY EDUCATION OFFFICE
2016E.C FIRST SEMISTER ECONOMICS MODEI EXAM FOR GRADE 12 STUDENTES

NUMBER OF ITEMS: 100 TIME ALLOWED 3 HRS

GENERAL DIRECTIONS

THIS EXAM PAPER CONTAINS **ECONOMICS** EXAMINATION.IN THIS EXAMINATION, THERE ARE ATOTAL OF 100 MULTIPLE CHOICE QUSTIONS. CAREFULLY SELECT THE BEST ANSWER AND BLAKEN ONLY THE LETTER OF YOUR CHOICE OON THE SEPARATE ANSWER SHEET PROVIDED.
FOLLOW THE INSTRUCTIONS ON THE ANSWER SHEET AND THE EXAMINATION PAPER CAREFULLY .USE ONLY PENCILE TO MARK YOUR ANSWER; YOUR ANSWER MARK SHOULD BE HEAVY AND DARK, COVERING THE ANSWER SPACE COMPLETELY. PLEASE ERASE ALL UNNECESSARY MARKS COMPLETELY FROM YOUR ANSWER SHEET.

YOU ARE ALLOWED TO WORK ON THE EXAM **FOR 180MINUTS**. WHEN TIME IS CALLED, YOU MUST IMMEDIATELY STOP WORKING, PUT YOUR PENCILE DOWN, AND WAIT FOR FURTHER INSTUCTIONS.

ANY FORM OF CHEATING ON AN ATTEMPT TO CHEAT IN THE EXAMINATION HALL AND CANCELLATION OF YOUR SCORE.

PLEASE MAKE SURE THAT YOU HAVE WRITTEN ALL THE REQUIRED INFORMATION ON THE ANSWER SHEET BEFOR YOU START TO WORK ON THE EXAMINATION.

DO NOT TURN THIS PAGE UNTIL YOU ARE TOLD TO DO SO.

DIRECTIONS: each of the following questions is followed by four possible alternatives read each question

Carefully and blacken the letter of your best choice on the separate answer sheet provided.

1. Which one is the primary focus of the study of economics?
   A. Expanding the production of goods and services.
   B. Reallocating resources from consumption to production in the economy.
   C. Equalizing the distribution of consumer income and wealth.
   D. Making the most efficient utilize of scarce productive resource.
2. If the national economy is closed a country has no interaction with the rest of the world then.

   A.GNP greater than GDP C.GDP equals with GNP

   B.GNP less than GDP D.GDP less than GNP
3. Which method of studying economic principle reasoning goes from a part to whole?

   A. deductive B. Inductive C. Modeling method D. normative method
4. When the production point lies anywhere inside in the production possibility curve, it is ----------

   A. full utilization of resources C. Attainable but inefficient

   B. Unattainable combination of resource and technology D. Attainable but efficient.
5. Which of the basic concepts of economics implies the optimum utilization of existing resource?

   A. opportunity cost B. Efficiency C. Scarcity D. Choice
6. Which of the following is a macro economics question?

   A. How many text books should be published by a publisher?

   B. How do members of house hold decide whether to clean their own house?

   C. What cause of firms grows?

   D. What determines how many jobs one available in an economy?

7. Which of the following is not component of aggregate demand?

A. Private consumption C. Saving

B. investment expenditure D. All

8. Which central economic question is the problem of allocation of resources?

A. What to produce? B. For whom to produce? C. How to produce? D. none

9 . Among the following which type of economic system follows a combination of private and public ownership of means of production?

A. Capitalism economy C. Mixed economy

B. command economy D. Free market economy

10. Why does the supply curve slop become upward? Because it has :

A. a positive slope of supply curve C. The law of diminishing marginal utility

B. a negative slope of supply curve D. substitution effect

11. Aggregate consumption in an economy is

A. always positive C. positive in the beginning and then negative

B. always negative D. negative in the beginning and then positive

12. Which one of the following does NOT affect potential GDP?

A. Quantity of money C. The quantity of capital and human capital

B. The quantity of labor employed D. The quantity of land and natural resource

13. Which one concept is invalid about the assumptions of the law of supply?

A. There should be no change in the price of related goods

B. There should be no change in the price of factors of production.

C. There should be no change in the state of technology & goals of the firm.

D. The income of buyers and sellers should be not constant.

14.. A situation in which quantity demanded of a commodity equals the quantity supplied of a commodity is

A. Equilibrium quantity B. Equilibrium price C. market Equilibrium D. market supply

15. Suppose the following individual demand and supply functions for a commodity are given, Re spectively

as Qd =100 –20 and Qs =40p – 120, where Q refers to the quantity and p refers price, if

there are 20 buyers and 10 suppliers of the commodity . Then calculate the equilibrium quantity

and price respectively ?

A. 40 and 400 B. 4 and 400 C. 4 and 4000 D. 40 and 4000

16. If the price level increase 100 to 120 then which of the following is correct.

A. real GDP supplied will increase C. potential GDP will decrease

B. real GDP supplied will decrease D. real GDP demand will increases

17. A falls in the real wage rate _____firms profit and leads to_____ In the quantity supplied

A. Rise, an increase B. Rise, decrease C .Lowers, an increase D .Lowers, decrease

18. Which of the following measurement of price elasticity of demand is measured over a finite range?

A. arc elasticity of demand C. Geometric elasticity demand

B. point elasticity demand D. cross elasticity demand

19. Which an additional unit of output is produced the extra cost to society is the

A. Marginal private cost C. Marginal damage

B. Marginal external cost D. Marginal social cost

.20. One of the components of foreign trade that most often registers a positive balance of payment

in Ethiopia is

A. capital account B. current account C. service account D, none of the above

21. If a supply for a product side to be ”elastic” , the value of elasticity coefficient is --------.

A, Zero B. Equal to one C. Less than one D. Greater than one

22. Identify the difference between classical and Keynesian economics

A. according to classical economist concern on aggregate demand where as Keynes concern on aggregate supply

B. classical promotes laissez fair policy where as Keynes promotes government spending

C. classical emphasized money as a store of value where as Keynes money as a medium of exchange.

D. Keynes concern inflation where as classical concern unemployment

23. A Safe guarding the interest and right of consumer is
A. Moral hazard B. A diverse selection C. Screenings D. Consumer protection

24. Why the short run supply curve is more inelastic than the long run supply curve; Because:
A. resources are generally cheaper in the short run.
B. in the short run new firms will enter the industry & driving up the price of the resources.
C. firms have less time to plan & vary all of their productive inputs in short run & thus until costs will be higher
D. Consumers are willing to pay higher prices to obtain the commodity now rather than wait until the price fall

25. Which of the following statement is correct about the relationship between total utility and marginal utility?
A. When TU increase, MU is positive
B. When TU reach its maximum, Mu is zero
C. When TU starts declining, MU becomes negative
D. all are answers.

26. Which one of the following goods is non excludable
A. atmosphere B. Taxi C. a toll bridge D. an art museum

27. Aggregate supply curve shift right ward when?
A. potential GDP decrease C. income tax increase
B. the money wage rate fall D. The money wage rate rise

28. An increase in the exchange rate due to political and economic decision of the government is
A. appreciate B. depreciate C. devaluation D. flexible

29.. The additional utility derived from the consumption of additional unit of a commodity is
A. total utility B. marginal utility C. cardinal utility D. ordinal utility

30. Which one of the following is instruments of contractionary fiscal policy
A. open market operation C. required reserve ratio
B. discount rate D. increase tax

31. Identify incorrect statement about objectives of macro economics
A. maximum feasible output C. Price instability
B. full employment D. high rate of economic growth

32. Which one statement is incorrect about the assumption of cardinal utility theory?

A. all possible combinations of goods can be ordered in terms of preference.

B. Utility is measurable in cardinal numbers.

C. utility is gained from successive unit of a commodity diminishes.

D. The monetary unit is used as the measure of utility.

33. Purchase and sales of government securities by the national bank.

A. Open market operation C. Required reserve ratio

B. Discount rate D. Swap transaction

34. Suppose an individual marginal utilities for commodities are given as Mux = 50 and MUy = 100,

then find out the marginal rate of substitution commodity A for commodity B?

A. 4 B. 5 C. 2 D. 3

35. Which statement is incorrect about the three stages of production functions?

A. Total product reaches its maximum at stage II.

B. Marginal product becomes negative at stage III..

C. Marginal product becomes always positive at stage III.

D. Average product e reaches its maximum at stage I.

36. a curve that represent the various combinations of two inputs that produce the same amount of output.

A. Isoquant curve B. Iso product curve

C. production indifference curve D. Equal product curve

E. all

37.. Which statement is false about TFC, TVC, and TC in the short run period?

A. Total cost is the sum of TVC and TFC

B. TFC curve is standing line curve parallel to the vertical axis

C. TVC curve is concave down ward ,up to some level of output.

D. TC curve increase at decreasing rate 1^{st} and then at an increasing rate.

38. A symmetric information represents a market situation in which

A. All parties to a transaction possess less than full information

B. One party in a transaction has more information than the other party

C. All parties to a transaction possess the same information

D. Some information possessed by the parties in a transaction may be false

39. Suppose given the following total cost , $TC=200 +100Q – 12Q^2$. then calculate ATC (AC) when the firm

produces 8 units of output?

A. 29 B. 232 C.32 D.420

40. Moral hazard is the

A. One side of the market cannot observe the types or quality of the good on other side
B. Risk associated with a Dutch auction
C. A situation where one side of the market cannot observe the action of the other
D. Market signaling

41. Which one of the following is not correct about the relationship between AC and MC in short run production function?

A. When MC is less than AVC, AVC is decreasing
B. When MC is greater than AVC, AVC is increasing.
C. When MC is less than ATC, ATC is decreasing.
D. MC curve does not intersect both AVC and ATC.
E. When MC is greater than ATC, ATC is increasing

42. The real balance, interest rate and foreign purchases effects are to help explain

A. shifts in the aggregate supply curve
B. Why the aggregate supply curve is up sloping
C. Shift in aggregate demand curve
D. Why the aggregate demand curve is down sloping

43. All are true about the relationship between production and cost , except ----------.

A. TVC and TP of labour are inversely related.
B. AVC and AP of labour are inversely related
C. MC and MP of labour have identical relationship.
D. MC and MP of labourare inversely related

44. Which one is not the assumption of perfectly competitive market?

A. It has homogeneous product
B. It has barriers to entry
C. Buyers & sellers have perfect knowledge about cost and prices of a commodity.
D. Free entry and exit of firms

45. From a pure monopolist firm, the following information are given : MR = 100 – 6Q and MC = 40, then calculate its profit maximization level of output or loss of minimization?

A. 10 B. 60 C. 20 D. 70

46, which one of the following is correct about Keynesian Economics?

A. about inflation than unemployment
B. the government should maintain price stability

C. the market is free and determines its supply demand

D. promotes laissez-faire policy

47. Identify the wrong concept about a monopolist firm maximization of its profit which one?

A. when MR = MC and MC is rising..

B. when MR > MC and MC is reducing.

C. profit is reach maximum when TR > TC.

D. profit is reach maximum when TR – TC is reach maximum.

48. Labor force consists

A. who are fit for work C. who are available for work

B. who are willing to work D. all

49. When exports exceed imports the result is a trade

A. deficit B. surplus C. balanced D. capital accounts

50. Which type of market structure is realistic model of market structure?

A. perfectly competitive market B, pure monopoly market

C. oligopoly market D. monopolistically competitive market

51. A situation where the price of goods and service's rise uncontrollable is

A. running inflation C. hipper inflation

B. waking inflation D. galloping inflation

52. Technological change has the largest impact on which form of unemployment

A. frictional unemployment C. structural unemployment

B. cyclical unemployment D. voluntary unemployment

53. All are the methods of collusion or coordination of oligopoly firm, except ----------.

A. It has many competing firms B. It has price leader ship

C. It has conscious parallelism D. They have their own cartel.

54. Which one fundamental concerns of macroeconomics deals with monetary theory the demand and supply of money?

A. national income B. general price level C. money and banking D. all

55. Which problems of macroeconomics is regularly recurring fluctuations in economic activity in market economies?

A. unemployment B. business cycle C. inflation D. budget deficit.

56. Assume the current date CPI 30% and past date CPI is 25% calculate inflation rate

A. 50% B. 20% C. 10% D. 25%

57. The systematic record of a nation's financial transaction with the outside world is

A. capital account B. current account C. trade balance D. balance of payment

58. Why we need for consumer protection

A. To Increase awareness C. For social responsibility

B. For consumer satisfaction D. All

59. All are the causes of demand pull inflation factors, except ----------.

A. an increase in government expenditure
B. an increase in money supply and investment.
C. deficit financing and credit expansion
D. The shortage of raw materials and rise in its price.

60. In the cause of price ceiling there is

A. Surplus B. Equilibrium C. Shortage D. Excess supply

61. Depreciation refers to

A. Increase in the exchange rate due to political and economic dec.

B. Decrease in exchange rate due to market force

C. Increase in exchange rate due to market policy

D. Decrease in exchange rate due to political and economic decision of the government

62. Which one of the following is instruments of contractionary monetary policy

A. Reducing discount rate C. Reducing required reserve ratio

B. Buying securities through OMO D. Increase the discount rate

63. The phase of business cycle real GDP decline

A. The peak B. Recovery C. recession D. boom

64. ---------- type of budget implies that the government is pumping more money into the economy system
that it is pumping out.
A. Deficit budget B. balanced budget C. surplus budget D. revenue budget
65. ---------- is the market value of all final goods and services produced with in the domestic territory of
a country during a year.
A. GNP B. NNP C. GDP D. NFI
66. If the cost of production increase there is
A. an increase in aggregate supply and aggregate supply shift right ward
B. decrease in aggregate supply and aggregate supply curve shift left ward
C. an increase the quantity of real GDP supplied and movement up along the aggregate supply curve
D. a decrease in aggregate supply and aggregate supply curve shifts right ward
67. To control the situation of excess demand in the central bank
A. reduce descant rate B. sales security C. decrease RRR D. contractionary policy
68. Which one of the following is disadvantage of fixed exchange rate?
A. absence of speculation B .constraint on government policy C. certainty D. deflation
69. Which one method of measuring GDP is used to different overcome the difficulty of double counting ?
A. Income approach method C. Expenditure approach method
B. Value added approach method D. None
70. An increase in the exchange rate due to political and economic decision of the government is
A. appreciate B. depreciate C. devaluation D. flexible
71. Which one type of GDP is affected by only change in physical output?
A. GNP B. nominal GDP C. aggregate GDP D. real GDP

72. Net factor income from the abroad is negative when,
A. Domestic product is greater than national product
B. national product is greater than domestic product

C. Domestic product is less than national product
D. both domestic and & national products are equal.

73. Above the equilibrium price level there is

A. surplus B. shortage C. excess demand D. deficit

74. . ---------- refers to the net market value of all the final goods and services produced by the normal residents of a country during a year.

A. Net domestic product at a market price
B. Net national product at a factor cost
C. Net national product at a market price
D. Personal disposable income.

75. By using the following information from the national income accounts for once hypothetical country

Given: GDP = 6000, gross investment (Ig) = 800 and net investment = 200, then calculate the Net domestic product (NDP)?

A. 600 B. 5400 C. 100 D. 5000

76. Which of the following is not true about consumption function?

A. When income increases consumption also increase
B. When income is zero, consumption is always negative.
C. When income is zero, consumption is always positive.
D. consumption function is stable in short run.

77. The functional relationship between saving and income is -.

A. propensity to save B. Propensity to consume.
C. consumption function D. Investment function

78. Moving along aggregate supply curve is

A. the quantity of capital used increases C. technology advance
B. only the price level change D. the stock of human capital increase

79. If a country national income increases from birr 100 million to 270 million and the saving of a country increases from birr 100 million to 150 million birr. How much the country's MPS?

A. 0.71 B. 0.23 C. 0.4 D. 0.29

80. The objective of an expenditure fiscal policy

A. pump more money in to the system in order to boost demand
B. increase tax C. reduce expenditure D. minimum expenditure

81. Which one of the following is not true about the relationship between MPC and MPS?

A. MPC + MPS = 1, is always true
B. MPS = 1 + MPC, is always true.
C. MPS = 1- MPC, is always true._
D. MPC = 1- MPS, is always true.

82. Which is valid statement about induced and autonomous investments?
A. Both types of investments have positive slope curve.
B. Both types of investments have negative slope curve.
C. Induced investment is income elastic while autonomous is income inelastic.
D. Both types of investments curve are parallel to Y-axis.

83. To control the situation of deficient demand
A. Government expenditure is reduce
C. The bank rate is reduced
B. Tax rates are increase
D. Public borrowing is increased

84. Which one of the following is the role of public investment is economic growth?
A. promote economic growth
B. stimulate economic growth
C. Reduce disparities in income of wealth between regional disparities.
D. all

85. The fundamental basis of international trade in the difference absolute cost is
A. Absolute advantage theory of cost . C. comparative advantage theory of cost
B. Theory of trade pattern
D. David Ricardo's theory of cost.

86. Identify the wrong statement about the current account of balance of payment?
A .trade balance is the difference between export and imports of goods.
B .the difference between export and imports of services give as net transfer
C .the difference between export and imports of services give as net service
D .the difference between receipts and payment give as net transfer

87. Reduction in bank rate is
A. A contractionary policy
C. An expansionary monetary policy
B. An expansionary fiscal policy
D. A contractionary monetary policy

88. .an increase in the value of a currency in terms of foreign currency is known as
---

A .appreciation B . Revaluation C . depreciation D . fixed exchange rate

89. From the following identify odd statement

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

90 .which one factor is the determinate of aggregate demand?

A . Availability of credit C .taxation policy of the government

B . State of technology D . Managerial efficiency

91. A minimum price at which a product or service is permuted to sell is

A. Income policy B. Price floor C. Exchange rate D Price ceiling

92. Which one of the following is correct about minimum wage law

A. It is the highest wage per hour that workers may paid

B. It is imposed price control

C. It is mandated maximum amount sellers allowed

D. It is the lowest wage per hour workers paid

93. A market failure defined as

A. The additional amount that consumers have to pay to consumer an additional amount of a good or service

B. The mechanism to exchange goods and services

C. An inefficient distribution of goods and services in the free market

D. Perfect distribution of goods and services in the free market

94. The interaction between aggregate demand and aggregate supply determines the equilibrium level of --------

and ----------.

A .trade and price level B . National output and price level

C .price level and re interest rate D . Money supply and price value

95. Identify the incorrect statement about positive externalities

A. It occurs when one person consumption of a good also increase other people’s utility

B. It occurs when one persons consumption of good decrease others peoples utility

C. MSB > MPB is external benefit

D. MSB= MPB + MEB

96. Market signaling is

A. Result in an optimum solution to beach kiosk scenario

B. Strategy of combating adverse selection

C. The way of conveying information to other parties in a transaction where asymmetric

Information exists

D. Represent a dominant strategy in a mulit party

97. The graphical relationship between the price level and the amount of real GDP that business will offer sell is

A. Aggregate demand curve

B. Investment supply curve

C. Investment demand curve

D. Aggregate supply curve

98. The short run aggregate supply curve is

A. slopes down ward to the right

B. the graph is a horizontal line

C. steeper above the full employment output than below it

D. wage and other recourse price are flexible down ward

99. In which business cycle phase the economy is producing at maximum

A. expansion B. through C, boom D. recession

100 .which micro economic policy concerns the central bank related to supply, availability and cost of money ?

A .fiscal policy B . Income policy C . contractionary fiscal policy D . Monetary policy