

Abune Gorgorios Schools

Name _____

No. _____



Subject:- **Economics**

Grade 12 Section

2012EC SECOND SEMESTER Worksheet FOR GRADE 11

Part I: Choose the Best Answer

1. Which of the following is a not characteristic of pure monopoly market?
 - A. Independence of firms
 - B. Free entry & exit
 - C. Large number of buyers and sellers
 - D. No government intervention
2. Which of the following is true under the peak of the Business cycle?
 - A. There will be high production of output
 - B. Unemployment will be reduced
 - C. Inflation will be increased
 - D. Resources will be utilized efficiently
3. Which of the following is not expansionary monetary policy?
 - A. Selling of bond by the national bank to the public
 - B. Reducing discount rate
 - C. Reducing reserve requirement ratio
 - D. Purchasing of bond from the public by the national bank
4. Which of the following is not role of investment to economic growth?
 - A. Increase output
 - B. Increase employment
 - C. Increase consumption
 - D. Increase infrastructure
 - E. None
5. Which one of the following is not true under perfect completion market?
 - A. Demand is horizontal
 - B. $MR=AR=P$
 - C. Firms earn normal profit in the long run

- D. Individuals are price
setters
6. Which of the following is correct in Ethiopia?
- A. Ethio-telecom is example of pure monopoly
 - B. Small restaurants is an example of perfect completion
 - C. Cement industry is an example of oligopoly
 - D. Bank industry is an example of monopolistic competition
 - E. All
7. Which of the following is incorrect?
- A. When AVC is reducing, MC is increasing
 - B. When ATC is increasing, AVC is also increasing
 - C. When output increases the gap between ATC and AVC
continuously declining
 - D. MC cross AVC at its minimum
8. Which one of the following is correct based on competition?
- A. $PC > PM > MC > OL$
 - B. $PC > MC > OL > PM$
 - C. $PC > MC > PM > OL$
 - D. $PC > MC > OL > PM$
9. Product differentiation is unique characteristics of _____
- A. Perfect competition
 - B. Pure monopoly
 - C. Monopolistic competition
 - D. Oligopoly
10. Entry barrier is sever under _____
- A. Perfect competition
 - B. Pure monopoly
 - C. Monopolistic competition
 - D. Oligopoly
11. Which of the following is not objective of macroeconomic
policy?
- A. Economic growth
 - B. Stable exchange rate
 - C. Stable price
 - D. Full employment
 - E. None
12. During recessions:-

- A. Level of economic performance decline
 - B. National income rises
 - C. Total output rises
 - D. Severe recession reaches its contraction
13. Which of the following is **not** true?
- A. When Marginal cost is increasing, Marginal product is increasing
 - B. When Marginal cost is decrease, Marginal product is increasing
 - C. When Marginal cost is decreasing, Marginal product decreasing
 - D. When Marginal cost is increasing, Marginal cost is less than average variable cost
14. In the long run, a perfectly competitive firm
- A. Must make an economic profit
 - B. Must suffer an economic loss
 - C. Must earn normal profit
 - D. Might make an economic profit, an economic loss, or a normal profit.
15. The lowest point in a business cycle that marks the end of a recession and the beginning of economic recovery/expansion is
- A. Boom/peak
 - B. Trough/depression
 - C. Recovery/expansion
 - D. Recession/contraction
16. Which of the following types of unemployment that happens due to deficiency in demand for goods and services.
- A. Frictional unemployment
 - B. Structural unemployment
 - C. Cyclical unemployment
 - D. Disgusted unemployment
17. What is the difference between the long run and the short run cost?
- A. The difference lies in calendar time periods.
 - B. The long run has fixed costs and the short run has variable costs.
 - C. The short run is actually longer than the long run.

- D. The long run is when all costs are variable, and the short run is when at least one of the costs is fixed.
18. When the rising of cost of production leads to overall inflation in the Ethiopian economy; the type of inflation is;
- A. Demand – push inflation C. Cost-push inflation
B. Demand- pull inflation D. Cost- pull inflation
19. Which one of the following is component of capital expenditure?
- A. Expenditure on construction of schools
B. Expenditure on salary of employees
C. Expenditure on raw materials
D. Expenditure on administrative service
20. If bank interest rate increases,
- A. Saving increases C. Output increases
B. Investment increases D. Consumption increases

Part II: Say true if the statement is correct and false if the statement is incorrect

1. If an economy in full employment, there will be zero unemployment in that economy.
2. Individual firms are price takers under monopolistic competition market
3. Autonomous consumptions is consumption when income is low
4. Higher income tax increases consumption expenditure
5. The demand of monopolistic competition is less elastic than pure monopoly
6. Demand curve of oligopoly firm is downward sloping
7. Inflation is rise in price of goods and services
8. Frictional unemployment can be solved through short term training.
9. Individuals in the labour force without job is unemployed

10. Inflation severely harm the fixed income individuals

Part II: Matching

Collumn 'A'

- _____ 1. Contractionary fiscal policy
- _____ 2. Marginal propensity to consume
- _____ 3. Current Account
- _____ 4. Trade deficit
- _____ 5. Budget deficit
- _____ 6. Flexible monetary policy
- _____ 7. Breakeven point
- _____ 8. Duopoly
- _____ 9. Firms earn profit
- _____ 10. Frictional unemployment
- _____ 11. Full employment
- _____ 12. Demand pull inflation
- _____ 13. Value added approach
- _____ 14. Saving
- _____ 15. Direct tax

Group 'B'

- A. Export is less than import
- B. Open market operation
- C. Income tax
- D. Oligopoly only with two firms
- E. Normal profit
- F. Average cost is less than price
- G. Zero unemployment
- H. Zero cyclical unemployment
- I. Government expenditure greater than revenue
- J. Reducing government expenditure
- K. Amount of income consumed out of one birr increase in income
- L. Taking market price to measure GDP
- M. Source of investment
- N. New entrants to the labour force
- O. Increase in money supply
- P. Trade balance

Part IV: Discuss the following questions briefly

1. Under perfect competition market supply of the firm is the MC curve above the minimum point of the AVC. But this is not true under pure monopoly. Why MC above the minimum point of the AVC is not supply curve under pure monopoly?
2. Compare and contrast the demand curve under the four market structure.
3. What do you suggest to solve the three basic macroeconomic problems unemployment, inflation and budget deficit?
4. Explain expansionary and contractionary macroeconomic policies. Explain with examples
5. Explain GDP and GNP. Which one of them can a country use? Explain why?
6. Assume the Ethiopian government depreciates Ethiopian birr. What do you think the effect of this policy change on Ethiopian trade balance? What is currency depreciation & appreciation?
7. Discuss the sources of pure monopoly
8. Present the four market structures based on their competition? Present from the highest to the lowest competition.
9. Discuss what will happen inflation and unemployment in the peak?
10. What do you advise to the Ethiopian government to reduce the severe macroeconomic problems of the economy (inflation and unemployment).
11. Discuss the three types of unemployment. Which one of them are the most critical concern of the government? Why?
12. Distinguish between nominal and real GDP. Which one of them is best measure of an economic performance?

Part V: Workout

1. Consider a hypothetical economy under pure monopoly with the demand curve

$$P=100-0.5Q \text{ and cost function is } TC=200+150Q+2Q^2-\frac{1}{3}Q^3$$

- a. Find the equilibrium output and price that maximizes profit
 - b. What will be the maximum profit
2. Given the demand equation $Q=250-50P$. Determine the total revenue and marginal revenue functions. Does this situation occur in a perfectly competitive market? If yes why? If not why not?
3. A firm produces 20 units of a good and market price for the good is birr 12 per unit of output. And it is also known that the firm earns a profit of birr 4 per unit of output. Determine the total cost of production.
4. If the MPS of the economy is 0.2 and total consumption is 3,000 birr given the consumption function given $C=500+0.80Y$. How much will be the total income and saving of the individual?
5. The unemployment rate of an economy is 25%. If the unemployed people are 200,000. How much will be the labour force and employed people of the economy.
6. If perfectly competitive firm sells its product at birr 100 and the cost of the firms is $TC=200+20Q+2Q^2$. Find the profit maximizing output and maximum profit of the firm.