DIRECTIONS: THIS BOOKLET CONTAINS ECONOMICS EXAMINATION FOR GRADE 12.THE EXAMINATION CONTAINS 75 ITEMS.THERE IS ONLY ONE BEST ANSWER FOR EACH ITEM.CHOOSE THE BEST ANSWER FROM THE SUGGESTED OPTIONS AND WRITE THE LETTER OF YOUR CHOICE ON THE ANSWER SHEET.

TIME ALLOWED 2:30 HOURS.

1. Economic problem arises,
   A. The fact that resources are scares but human wants are limited
   B. The fact that resources are free but human wants tend to be limited
   C. The fact that resources are scares but human wants are unlimited
   D. The fact that resources are unlimited but human wants are limited
2. All are the advantages of direct tax, **except**
   A. Reducing inequalities
   B. Economical
   C. Certainty
   D. Narrow in scope
3. One of the following is **NOT TRUE** about the objectives of decision -making units?
   A. Firms have factor services from households to produce commodities
   B. Government buy goods and services from the producers and buys factor services from households
   C. A country exports goods and services to other countries and imports goods and services from other countries
   D. Households produce goods and services and sell to firms
4. If the price elasticity of demand for good is – 4, then a 10 percent increase in price results in a
   A. 2.5% decrease in the Qd
   B. 40% decrease in the Qd
   C. 4% decrease in the Qd
   D. 0.4% decrease in the Qd
5. The own-price elasticity of an upward sloping supply curve:
   A. Is always 1
   B. Is always positive
   C. Is always negative
   D. Can be either positive or negative

6. Which of the following statement is true about economic laws?
   A. Economic laws are exact and definite
   B. Economic laws are not associated with qualifications and assumptions
   C. Economic laws are permanent and general
   D. Economic laws establish relationship between cause and effect
7. Which of the following does NOT describe an entrepreneur?
   A. Risk taker
   B. Organize factors of production
   C. Introduce new technologies in to business practice
   D. Sales his mental effort to employer
8. Which of the following factors is **NOT** cause for a downward slopping demand curve?
   A. Substitution effect of price change
   B. Change in preference and changes in technology
   C. Income effect of price change
   D. Law of diminishing marginal utility
9. Demand for a commodity will be price elastic if the commodity:
   A. Is used for a short period of time
   B. Is a necessity good
   C. Is a luxury good
   D. Has no close substitute
10. Individual demand and supply function for a commodity are given respectively as **Qd= 25-5P** and **Qs= 10P-30**. If there are 100 buyers and 50 suppliers of the commodity, the equilibrium quantity and price are:
   A. (500,100)
   B. (500,4)
   C. (50, 400)
   D. (100,50)
11. Which one of the following statement is **NOT TRUE** about demand and quantity demanded?
   A. Demand refers to the relationship between price of a commodity and its quantity demanded
   B. Quantity demanded refers to a specific quantity which a customer is willing to buy at a specific price
   C. Demand refers to the amount of commodity which an individual buyer is willing and able to buy at a given price and at a given period of time
   D. Quantity demanded changes , if the price of a commodity rises only

12.A perfectly inelastic supply curve is :

A. Horizontal C. Vertical

B. Diagonal D. None of the above

13.When the demand for a good increases and supply of the good remains unchanged, the equilibrium price

A. Remain constant C. Decreases

B. Increases D. May increase, decrease or remain unchanged

14.An outward shift in PPC indicates

A. Production of new goods

B. Deterioration in technology

C. Reduction in the availability of economic resources

D. Decline in the quantity of economic resources

15.Which one of the following statement is TRUE about total utility (TU) and marginal utility (MU)?

A. TU increases as long as marginal utility is negative

B. TU decline when marginal utility is zero

C. MU increases continuously as quantity consumed increase

D. TU derived from the consumption of a good increase up to a certain point as consumption increases

16.For a person consuming a certain good piece by piece and who has reached a stage where he /she has no more to consume , what happens to total utility if a consumer consumes a commodity beyond this stage?

A. Increases C. Negative

B. Decline D. Remain unchanged

17.Which one of the following is **NOT** true about budget line?

A. It is a negatively sloped line

B. The slope of the budget line is equal to the price ratio of two commodities

C. Budget line moves outwards when income of the consumer decreases

D. Budget line shifts outward when income of the consumer increase

18. Which one of the following statement is correct about costs?
    A. When output is zero, total cost equals marginal cost
    B. When output changes, the change in total cost is equal to the change in total variable cost
    C. The distance between the average cost curve and the average variable cost curve gets greater as production increases
    D. When output is zero, total cost equals total variable cost
19. The cross-price elasticity of demand for car and petrol is:
    A. Positive
    B. Negative
    C. Infinite
    D. Zero
20. The market supply of commodity "X" contains information about
    A. The quantity of **X** that will be sold
    B. Consumers trend in the market for **X**
    C. How much **X** producers would want to sell at various prices
    D. The health effects of commodity **X** consumption
21. In perfectly competitive market, the demand for the product of a single firm is
    A. Vertical
    B. Unit elastic
    C. Perfectly elastic
    D. Depends on the elasticity of the market demand
22. Which one of the following is true about marginal cost curve?
    A. The MC curve is U-shaped, because of the law of variable proportion
    B. It is negatively sloped in the initial stage of production due to decreasing returns to a factor
    C. It is positively sloped due to increasing return
    D. As output increases, the MC curve slopes upward
23. If an economy is operating inside its production possibility curve
    A. There are shortages of some resources
    B. There are unemployed resources
    C. Resources are being allocated efficiently
    D. There are full utilization of resources

24. Suppose that a firm incurred implicit cost of birr 20000 and explicit costs of birr 100000 in a specific year. If the firm sold 4000 unit of its output at birr 40 per unit, its accounting profit were
    A. Birr 40000 profit
    C. Birr 60000 profit
    B. Birr 160000 profit
    D. Birr 140000 profit

25. In the long run
    A. Variable cost equal fixed costs
    B. All costs are fixed costs
    C. Fixed costs are greater than variable costs
    D. All costs are variable costs

26. The process of combining economic resources to make goods and services is:
    A. Technology
    C. Production
    B. Consumption
    D. Investment

27. Which of the following is **TRUE** about the short term average cost
    A. Average variable cost typically rises as output increases
    B. Average fixed cost is always constant as output rises
    C. Average total cost reflects the slope of average variable cost only
    D. At very low level of output average total cost is low

28. Which of the following is **NOT TRUE** about oligopoly market
    A. The number of seller is small
    B. Considers the actions and reactions of its competitors
    C. Produce homogeneous products or differentiated products
    D. Independent price policy

29. If, at current price there is shortage of good,
    A. Quantity demanded equals quantity supplied
    B. Sellers are producing more than buyers wish to buy
    C. The price is below the equilibrium price
    D. The market must be in equilibrium

30. Tola consumes two goods **X** and **Y**when Tola's income falls from birr 2,500 to 2000, the quantity of good Y demanded by Tola increase by 30%. What conclusions do you draw from this?
    A. Good **X** must be normal good and good **Y** must be inferior

B. Good **X** must be inferior and good **Y** must be a normal

C. Tola's demand curve for good **X** shifts to the right

D. There is no change in Tola's demand curve for both goods

31. A monopolistically competitive market would be characterized by:

A. Product differentiation and barriers to entry

B. Homogenous product and no barriers to entry or exit

C. A small number of firms that are price takers

D. Little variation in price and large number of sellers

32. All are major causes of unemployment in Ethiopia, **except**

A. Low level of investment C. Low level of labour force

B. Low level of entrepreneurship D. Low level of education

33. All are adverse effects of inflation **except**

A. Redistribution of income C. Effect on capital formation

B. Effect on economic planning D. Instability

34. Which one of the following method is used to control inflation by the government?

A. Increase government expenditure

B. Increase in public borrowing

C. Reduce in tax rate

D. Decrease in cash reserve ratio by the central bank

35. When demand for a good is price elastic

A. Rise in price decreases total revenue

B. Fall in price decreases total revenue

C. Rise in price increases total revenue

D. Change in price does not change total revenue

36. The general objectives of a government budget includes all **except:**

A. Economic growth C. Management of private enterprise

B. Reduction of inequalities D. Reallocation of resources

37. Which of the following is **NOT** included in national income account(NIA)?

A. Profit earned by company C. Wage of civil servants

B. Old age pension D. Rent of buildings

38. Net national income is equal to

A. GNP-depreciation C. GNP-tax

B. GNP-national expenditure D. GNP-gross private investment

39. During recession

A. Total output is increasing
B. Unemployment level is increasing
C. Purchasing power is increasing
D. Rising prices

40. National product is equal to domestic product when
    A. NFI from abroad is zero
    B. NFI from abroad is negative
    C. NFI from abroad is positive
    D. Factor income from abroad is greater than factor income to abroad
41. Which one of the following statement is **NOT TRUE** about GDP?
    A. An increase in nominal GDP mean an increase in physical output
    B. Real GDP can rise only when there is a rise in physical output
    C. A nominal GDP affected by current market price and physical output
    D. A sustained rise in real GNP reflects the economic growth of a country
42. Which one of the following is **not correct** about consumption and saving?
    A. As income increase saving also increase, but the rate of increase in saving is higher than rate of increase in income
    B. When income is zero, saving is negative
    C. When income increases, consumption also increases
    D. Autonomous consumption is the minimum level of consumption
43. All are the role of public investment in economic growth, **except**
    A. Developing social overhead and infrastructure
    B. Developing investments by the private investors
    C. Providing education ,training and research facilities
    D. Reducing disparities in income and wealth distribution
44. Which one of the following is the main determinant of level of investment?
    A. Rate of investment
    B. Corporate tax
    C. Profit exception
    D. Level of national income
45. If a given individual disposable income is birr 2400 and expenditure is birr 1800, what is the average propensity to save (APS)?
    A. 0.5
    B. 0.75
    C. 0.25
    D. 0.025
46. The major causes of trade deficit in Ethiopia are
    A. Ethiopia exports capital goods
    B. Because Ethiopia imports agricultural product

C. Ethiopia exports manufactured goods and imports primary goods

D. Ethiopia is mainly an exporter of raw materials and importer of capital goods

47. Which of the following is **NOT** in the role of international trade?

A. Increasing output and income of nation

B. Achieve a more efficient allocation of resource

C. Transfer the latest know-how and management skills

D. Narrows the extent of the market

48. Which of the following statement is **NOT TRUE**?

A. When exports are more than imports , the country is having a trade surplus , GDP rises

B. When (X=M), the country is having trade balance, GDP falls

C. When imports are more than exports (X<M) the country is having a trade deficit, GDP falls

D. When export and import are equal (X=M),country is having trade balance , GDP is not affected

49. Which factor determine aggregate supply?

A. Real interest rate

B. Availability of credit

C. Availability of capital and labour

D. Level of economic activities in other countries

50. All are the causes of excess demand in economy, **except**

A. Surplus in balance of payment

B. increase in government expenditure

C. Decrease in level of consumption

D. Decrease in public expenditure on economic and social infrastructure

51. Which one of the following is correct about aggregate demand?

A. Aggregate demand increases with the decrease in public expenditure

B. Aggregate demand decreases with increase in interest rate

C. Aggregate demand decrease with increase in reserve ratio

D. Increase in taxes reduce aggregate demand

52. Higher real interest rate encourage

A. Investment C. Saving

B. Consumption D. Production

53. Which one of the following statement is TRUE about the agricultural policy and strategy of Derg?
    A. The Derg's agricultural policy was bi modal
    B. According to Derg's agricultural policy agriculture sector can serve as the driving force of the rest of the economy
    C. Derg's basic ideological principle was based on socialist transformation of agriculture.
    D. Give emphasis to both small landholders and large scale commercial farms.
54. The most important determinants of high population growth rates in Ethiopia are____.
    A. High death rates and low fertility rate.
    B. High dependency ratio
    C. High fertility and high death rates
    D. High fertility rate and declining death rates
55. The agricultural sector policies of the military government were characterized by
    A. Nationalization of all private and commercial farms
    B. Forced villagization and settlements
    C. Forced food grain quota deliveries at predetermined low price
    D. All of the above
56. Which of the following is **NOT** the characteristics of uni-modal agricultural approach
    A. Pro proper growth strategy
    B. Focuses on the production of food crops
    C. Supports individuals to accumulate land
    D. Enhancing small holders access to modern inputs
57. Which are the following is **NOT** among the recent development programme of EPRDF?
    A. Growth and transformation plans

B. Sustainable development and poverty reduction programme

C. Development through cooperation campaign

D. Plan for accelerated and sustained development to end poverty.

58. All are the major causes of health problem in Ethiopia, except

A. Contaminated water supply C. Nutritional deficiency

B. Inadequate budget allocation D. Over-crowded housing condition

59. Which one is used to measure the performance of education sector?

A. Life expectancy at birth C. Fertility rate

B. Dependency ratio D. Gross enrolment rate

60. _____ is a restriction which generate revenue for the government and protect local product from foreign competition.

A. Quota C. Written restriction

B. Tariff D. Exchange controls

61. All are included under trade liberalization measures undertaken post-1991,**except**

A. Trade organizations were nationalized and restructured

B. Removal of restrictions on trades

C. Quota systems in grain purchase was abolish

D. Control an inter-regional movement was removed

62. The role of private firm include

A. Maintain law and order

B. Source of employment

C. Brining equitable distribution among citizen

D. Providing public goods and services.

63. Which one is **NOT** categorized under services?

A. Education C. Construction

B. Communication D. Transportation

64. Establishment of LSMCF and development of package project was introduced:

A. underDerg regime C. Post 1991

B. During imperial period D. By current government

65. Which one of the following is the role of commercial bank of Ethiopia?
    A. Issues notes and currency
    B. Formulates monetary policy
    C. Issue bonds
    D. Mint coins and paper money

66. The main objectives of structural adjustment programme(SAP) include
    A. Revival of economic growth.
    B. Reducing macroeconomic distortion.
    C. Improving economic efficiency and resource allocation.
    D. All of the above.

67. The Ethiopian manufacturing sector suffers from all of the following **except**_____
    A. Absence of adequate institutional support
    B. Strong competition with imported goods
    C. Usage of labour intensive technology
    D. Luck of infrastructure

68. Which of the following is **NOT** the role of service sector?
    A. Employment contribution
    B. Foreign exchange contribution
    C. Distributing GDP of the country
    D. Output contribution

69. Which one of the following is **NOT** the objectives of secondary education?
    A. Achieving functional literacy
    B. Enabling students to identify area of interest for further education
    C. Preparing students to higher education
    D. Enabling students to identify area of interest for vocational training

70. Which one of the following industrial group contribute the largest share of value added in Ethiopian manufacturing sector?
    A. food and beverage
    B. leather and footwear
    C. textiles
    D. chemicals

71. Import intensity refers to:-
    A. The excess of imports over exports in a nation
    B. Debt burden
    C. The ratio of value imported raw materials to the total value of raw materials used.

D. The total value of imported machinery, equipment spare parts, raw materials, etc.

72. All but one is **NOT** related to the constraints of education sector in Ethiopia.
    A. Inadequate teaching material
    B. Low disparity between regions
    C. Low participation of school aged children
    D. High disparity between girls and boys enrolment.
73. An education system is said to be efficient if,___
    A. A given output is obtained with minimum possible input
    B. Maximum possible output is obtained from maximum inputs.
    C. Maximum possible output is obtained from a given inputs.
    D. Maximum possible output is obtained from minimum inputs.
74. A perfectly competitive firm has a cost and revenue function given by

    $TC=2Q^3-10Q^2+24Q+8$

    $TR=18Q$

    What is the profit maximizing level of output?

    A. 12 C. 6

    B. B.3 D. 9

75. The amount of maximum profit or loss for the above question No.74 is

    A. 15 C. 10

    B. -44 D. 54