GRADE 12 ECONOMICS MODEL EXAMINATION 2016 E.C

TIME ALLOWED: 1:30 HOURS

GENERAL DIRECTIONS

IN THIS EXAMINATION, THERE ARE A TOTAL OF **80 MULTIPLE CHOICE QUESTIONS.** SELECT THE BEST ANSWER AND PROVIDE ONLY THE LETTER OF YOUR CHOICE ON THE SEPARATE ANSWER SHEET PROVIDED.

YOU ARE ALLOWED TO WORK ON THE EXAM FOR **1:30 HOURS**. WHEN TIME IS CALLED, YOU MUST IMMEDIATELY STOP WORKING, PUT YOUR PEN/PENCIL DOWN, AND WAIT FOR FURTHER INSTRUCTIONS.

ANY FORM OF CHEATING OR AN ATTEMPT TO CHEAT IN THE EXAMINATION WILL RESULT IN AUTOMATIC DISMISSAL FROM THE EXAMINATION HALL AND CANCELLATION OF YOUR SCORE(S)

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

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

INSTRUCTION: ***FOR EACH OF THE FOLLOWING QUESTIONS, CHOOSE THE BEST ANSWER AND WRITE IT ON YOUR ANSWER SHEET. USE CAPITAL LETTER ONLY FOR YOUR ANSWERS.***

Choose the Correct Answer from the Given Alternatives

1. A branch of economics which studies overall or aggregate behavior of the economy such as the overall level of output, prices and employment is;

   A. Microeconomics C. Growth Economics

   B. Macroeconomics D. Trade Economics

2. Which of the following is **NOT** the central study of macroeconomics?

   A. Increasing Unemployment C. Narrowing Budget Deficit

   B. Discouraging Inflation D. Decreasing Income Inequality

3. Which of the following is the measure of the total market value of all final goods and services produced by nation regardless of territorial boundary during a year

   A. Gross Domestic Product (GDP) C. Gross Personal Income (GPI)

   B. Gross National Product (GNP) D. Gross National Income (GNI)

4. An estimation of Gross Domestic product (GDP) by summing up all the incomes accruing to all factors of production used in producing the national output is;

   A. Income approach C. Value added approach

   B. Expenditure approach D. Nominal approach

5. Which one of the following is an indicator of Economic Growth?

   A. Higher level of poverty C. Poor health condition

   B. Greater educational opportunity D. Greater income disparity

6. Economic growth is measured in terms of;
   A. the ratio of total population to total income
   B. the ratio of total Gross Domestic Product to Total Gross National Product
   C. Real per capita income
   D. the ratio of total Gross National Product to total Population

7. Which of the following is true about economic growth and development?

   A. Economic growth and development has nothing in common.
   B. Economic development is mainly measured by income where as economic growth is difficult to measure
   C. A nation could attain economic development without economic growth
   D. Economic development is wider in scope than economic growth.

8. Which of the following is plausibly true about inflation?

   A. Inflation is an intermittent general price rise of goods and services.
   B. Inflation is continues general price rise of goods and services.
   C. Inflation is unlimited general price rise of goods and services.
   D. A and B

9. Which of the following is true about labor force?

   A. Total labor force is the sum of number of unemployed and employed people
   B. Total labor force is the percentage of population unable to work
   C. Unemployment rate is the percentage of labor force willing to work
   D. Labor force participation rate is the percentage of adult get employed

10. Mr. Gatiso has been graduated from Addis Ababa University last year in Botany and looking for job in Addis Ababa. However, he could get job in Addis Ababa. This kind of unemployment is known as?

    A. cyclical unemployment
    B. underemployment
    C. structural unemployment
    D. frictional unemployment

11. The phase of the business cycle characterized by slow growth, increases in unemployment and pricing pressures subside is;

    A. contraction
    B. expansion
    C. recession
    D. depression

12. A country with a Current Account Deficit is:

A. sending money abroad is the same amount it receives from abroad
B. neither receives money from abroad nor sends money to abroad
C. sending more money abroad than it receives from abroad
D. receiving more money from abroad than it sends to abroad

13. Which of the following is true about balance of payment and capital account?

A. Capital account is the systematic record of a nation's financial transactions with the outside world.
B. Balance of payment shows the volume of private foreign investment and public grants and loans that flow into and out of a country over a given period.
C. Current and capital accounts forms balance of payments
D. All of the above

14. The difference between export and the import of goods and services of a country for a given period is;

A. Export
B. Trade balance
C. Import
D. Trade deficit

15. Which one of the following is correct about classical school of economic thought?

A. If an economy slips into recession, expansionary fiscal or monetary policy would only cause inflation, rather than increase the GDP.
B. The classicalists argued that the real and monetary sectors could be studied together
B. The classical economist were the anti- free market economy
D. The classical economist did not concerned about supply demand balance

16. Which of the following is **true** about Economic Development?

A. It is equivalent to economic growth of nations.
B. It implies fundamental change in the structure of the economy
C. It is a narrow concept that deals with the production of goods and services.
D. It is usually measured by the GDP and GNP only

17. All of the following is **NOT** among the components of aggregate Demand?

A. House Consumption
C. Government purchase
B. Private Investment
D. Aggregate price

18. Which one of the following is **NOT** true about population growth?

A. The more rapid the population growth rate, the greater the proportion of dependent children in the total population.
B. The world's population is unevenly distributed by geographic region and age structures.
C. The problem of population growth is not simply a problem of numbers; rather, it is a problem of human welfare and development.
D. Rapid population growth does not intensify problems of underdevelopment.

19. Which of the following is not included in the balance of payments?

A. Final consumer goods exported to another country.
B. Tourism on the part of people from other countries.
C. Financial transactions
D. Increased money supply by the central bank of Ethiopia

20. Speculative demand for money is influenced by:

A. Income levels
C. Anticipated changes in asset prices
B. Consumer spending habits
D. Government regulations

21. How does an increase in the reserve ratio affect the money supply?

A. It increases the money supply
B. It decreases the money supply
C. It has no effect on the money supply
D. It depends on other factors such as changes in the monetary base

22. Suppose nation "E" want to reduce the government budget deficit by increasing its tax rate. Which policy should the government implement if the central bank wants to make output constant?

A. The government should implement contractionary fiscal policy

B. The government should implement contractionary monetary policy

C. The government should implement expansionary fiscal

D. The government should implement expansionary monetary policy

23. The kind of inflation that arises due to excess demand over supply is;

A. demand pull inflation

B. cost push inflation

C. stag-inflation

D. structural inflation

24. . Which one of the following goods or services is a public good?

A. Express way (Road) B. Private bread

B. Washing machine D. Money in the pocket

25. Which of the following is **NOT** the characteristics of public good

A. Excludability C. Non-diminishable

B. Non-Rivalries D**.** Non-excludability

26. A market failure Occurs when;

A. The individuals in a group end up worse off than if they had not acted in perfectly rational self-interest

B. The market correctly perform to allocate resource among individuals or groups

C. There is homogenous goods to be exchanged in the market

D. The government intervention is minimal in resource allocation

27. The potential solution for market failure takes the following form **except;**

A. Private market solution
C. Involuntary collective action solution
B. Government imposed solution
D. All of the above

28. Which of the following is true about externalities?

A. there is always be positive externalities
B. Externality could be generated by producers only
C. Externalities can be viewed as s special kind of public good or bad
D. Externality is rival and excludable in nature

29. A situation in which different agents have a different amount of information about a good and service is;

A. Asymmetric information
C. Symmetric Information
B. Asymmetric evidence
D. Symmetric evidence

30. A situations where one side of the market cannot observe the "type" or 'quality' of the goods on the other side of the market is;

A. Hidden Information problem
C. Anti-selection problem
B. Negative selection Problem
D. All of the above

31. Which of the following is the strategy to combat adverse selection problem

A. Screening
C. Offering Bribes
B. Awareness creation
D. Lending more money

32. Which of the following is among common business malpractice that leads to consumer exploitation

A. Sale of non-duplicate goods
C. Hording
B. Sale of non-adulterated goods
D. Guiding advertisement

33. Which of the following is **NOT** among Fiscal Policy tools

A. Taxation
C. Interest rate
B. Public Expenditure
D. All of the above

34. Which of the following is the appropriate policy to be adopted by government in a situation when aggregate demand falling short of output at full employment

A. Expansionary Fiscal Policy
C. Expansionary Monetary Policy
B. Contractionary Fiscal Policy
D. Contractionary Monetary Policy

35. Which of the following is the monetary Policy Objective?

A. Controlling inflation
C. Curbing Employment
B. Regulating Public taxation
D. Promoting Deflation

36. The purchases and sales of government bonds by the central Bank is;

A. Discount rate
C. Open Market Operation
B. Required Reserve Ratio
D. Treasury bill

37. _____refers to the lowest wage per hour that a worker may be paid as mandated by federal law below which workers may not be offered or accept a job.

A. Price floor
C. Minimum wage
B. Price ceiling
D. Flexible wage

38. Which of the following is true about market equilibrium in relation to minimum and maximum price arrangement

A. Price floor is always set above equilibrium
B. Price ceiling is always set above equilibrium
C. Price ceiling and price floor are always set above equilibrium
D. Price floor and price ceiling are always set below equilibrium

39. A decrease in exchange rate due to political and economic decisions of the government is;

A. Devaluation
C. Depreciation
B. Revaluation
D. Appreciation

40. Which of the following is true concerning currency exchange rate

A. Revaluation occurs when the domestic currency exchange rates increases in relation to foreign currency due to political and economic decisions of the government.

B. Devaluation occurs when the domestic currency exchange rates decreases in relation to foreign currency due to market forces.

C. Appreciation occurs when the domestic currency exchange rates increases in relation to foreign currency due to political and economic decisions of the government.

D**.** Depreciation occurs when the domestic currency exchange rates increases in relation to foreign currency due to market forces.

41. _____is a compulsory charge imposed by the government, without any reference to the service rendered to a taxpayer

A. Tax
C. Revenue
B. Fines or penalty
D. Voluntary gift

42. A legal description of the object with reference to which the tax apply is;

A. Tax Incidence
C. Tax base
B. Tax rate
D. Tax ratio

43. Which of the following is **NOT** among the cannon of taxation

A. Cannon of convenience
C. Cannon of inequality
B. Cannon of cost
D. Cannon of simplicity

44. A type of tax that in which its burden is borne by a person or a thing taxed and cannot be shifted to another person or thing is;

A. Direct tax
C. Direct shift
B. indirect Tax
D. indirect shift

45. Which of the following is among the problem associated with tax collection in Ethiopia

A. Simplicity of the tax system
C. perception of corruption
B. Good tax knowledge
D. Tax compliance

46. Which of the following income tax system is currently operating in Ethiopia?

A. Regressive tax
C. Regressive tax
B. Proportional tax
D. Progressive tax

47. Suppose Kochito has an income of 12,000 Birr and pays tax which is 2% of his income while Talile has an income of 15,000 and pays tax which is 2% of her income as well. Assume there is no other deduction from both persons. This tax is;

A. progressive
C. Proportional
B. regressive
D. Digressive

48. A tax imposed and payable on selected goods such as, luxury items and basic goods which are demand inelastic is;

A. Custom duty
C. Sur tax
B. Excise tax
D. Turnover tax

49. The situation of someone being unable or only barely able to meet the subsistence essentials such as food, clothing, and shelter is;

A. Relative poverty
C. General Poverty
B. Absolute Poverty
D. Personal Poverty

50. Which of the following is **NOT** among the method of measuring Poverty based on income alone?

A. Headcount index
C. Foster-Greer-Thorbecke index
B. Total Poverty Gap
D. Multidimensional poverty index

51. Which of the following is true about Gini-coefficient as a measure of income inequality?

A. The higher the value of Gini coefficient the lower the inequality

B. Zero Gini coefficient implies perfect inequality

C. The higher the value of Gini coefficient the higher the inequality

D. If Gini coefficient is unity, it implies perfect equality

52. Which of the following is among the objective of third five –year plan under the Monarchy (Imperial) regime in Ethiopia?

A. Establishment of a cadre of skilled and semi-skilled personnel to work in processing industries to help reduce Ethiopia's dependence on imports

B. Changing Ethiopia's predominantly agricultural economy to an agro-industry alone.

C. Diversification of production, introduction of modern processing methods, and expansion of the economy's productive capacity to increase the country's growth rate

D**.** expansion of educational opportunities

53. During National Development Plan of the Socialist Regime under which period did the various annual development campaign programmes were implemented?

A. 1974-1978 C. 1980-1985

B.1978-1980 D.1985-1990

54. In Ethiopia, Agricultural Led-development industrialization (ADLI) Policy with objective of attaining food self-sufficiency by increasing agricultural productivity and output was launched during;

A. Imperial regime C. Ethiopian People's Revolutionary Democratic Front regime

B. Dergue Regime D. Socialist Ethiopia Regime

55. Which of the following is among the major challenges of Ethiopian Economic progress under Growth and transformation Plan I&II?

A. External debt distress

B. Balance between domestic saving and Investment

C. Ensured quality economic growth

D. All of the above

56. Which of the following is among strategic pillars and key priority areas of Ethiopian Economy after a Reform?

A. Quality economic growth and shared prosperity

B. Economic productivity and competitiveness

C. technological capability and digital economy

D. All of the above

57. Which of the following is **NOT** classified among the Homegrown Economic Reform (HGER) in Ethiopia under economic reform?

A. Sticky wage reform

B. Sectoral reform

C. Structural reform

D. Macroeconomic reform

58. ___ refers to the devolution of taxing and spending powers from the control of central government authorities to government authorities at sub-national levels

A. Physical decentralization

B. Fiscal Decentralization

C. Power decentralization

D. Devolution of power

59. Which of the following is the disadvantage of decentralized system?

A. Loss of scale economics in provision public goods

B. Fostering intergovernmental competition

C. Tailoring output to local tastes

D. Experimentation and innovation in locally provided public goods & services

60. Which of the following is **NOT** among indigenous knowledge that play a role to improve the wellbeing of the society

A. Debo

B. Equb (Ikub)

C. Idir

D. Cacabsa

61. Which of the following is true about **renewable and non-renewable** environmental resource?

A. Non-renewable resources include forests, fish, animal population, and biomass stock

B. Non-renewable exists in infinite amounts over vast time scales

C. Renewable resources exists in finite amounts over time scales

D. All of the above

62. ___refers to the idea of meeting the current generation needs without compromising the need of the future generation?

A. Sustainable Environment C. Sustainable Economic Growth

B. Sustainable Development D. Sustainable Urbanization

63. _____refers to the process of improving the quality of life and economic wellbeing of people who live in rural areas

A. Urban and regional development C. Rural electrification

B. Rural development D. Urban sanitation

64. Which of the following the main problem due to urbanization in developing economies?

A. Sufficient housing C. Surplus water supply

B**.** power outage D. Adequate transportation service

65. Increasing average air and ocean temperatures is;

A. Climate Change C. Carbon emission

B. Global warming D. Greenhouse effect

66. Which of the following is the possible measures to address the problem of poverty facing women?

A. Enhancing education and economic status of a women

B. Over looking to integrate women in to the growth process

C. Pulling women from economic mainstream

D. All of the above

67. Which of the following is **true** about climate change and its impact on the global economy?
    A**.** Today, climate change is one of the top urgent challenges for society and economies
    B. Mitigation of climate change is mostly the responsibility of developing economies
    C. Climate change doesn't affect the economy of least developed countries
    D. Nowadays, climate change causes little effect to global economy

68. An improved human wellbeing and social equity, while significantly reducing environmental risks and ecological scarcities is;
    A. Green growth
    B. Green environment
    C. Green economy
    D. Green city

69. In June 2020, the Ethiopian Government launched the Green Legacy Initiative, which is a tree-planting campaign aimed at curbing the effects of climate change and deforestation. Which of the following is among the aim of the legacy?
    A. Promoting flooding
    B. To ensure food insecurity
    C. Preventing environmental related conflict
    D. To encourage adverse climate effect

70. Which of the following is the adaptation strategies to overcome the problems of environmental degradation and climate change?
    A. Immobility
    B. Storage
    C. Avoiding diversification
    D. Individual Pool

71. Which of the following is the possible impacts of climate change?
    A. Losses of grasslands, farmlands, and marine ecosystems
    B. Frequent storms, floods and droughts
    C. Food insecurity and exacerbating malnutrition
    D. All of the above

72. The degree to which a system is likely to experience harm as the result of exposure to climatic hazard is;

A. Climate change
C. Consistency of climate change
B. Vulnerability to climate change
D. Environmental degradation

73. Which of the following is true about population in relation to resources?

A. Population growth tends to overuse a country's natural resources such as land
B. Rapidly increasing population makes it difficult to invest in roads and public services
C. Rapid population growth disturbs the land-man ratio
D. All of the above

74. Which of the following is **NOT** the objective of economic policies:

A. Price stability
B. To reduce income inequalities
C. To achieve full employment
D. None of the above

75. Which of the following is the main objectives of the Consumer Protection Act in Ethiopia

A. To protect the business community from anti-competitive and unfair market practices.
B. To ensure consumers get goods and services unsafe and unsuitable to their health
C. To discourage the rate of economic development.
D. All of the above

76. Which of the following is an example of the tragedy of the commons?

A. Nuclear disasters and industrial accidents.
B. Overfishing and depletion of fish stocks in shared oceans**.**
C. Volcanic eruptions and landslides.
D. Industrial smokestacks and sewage treatment plants

77. Which of the following is plausibly true about direct and indirect taxes?

A. Indirect taxes are paid directly to the government, while direct taxes are collected by businesses and passed on to consumers.

B. Indirect taxes are levied on goods and services, while direct taxes are levied on individuals and businesses.

C. Indirect taxes are more visible to taxpayers, while direct taxes are hidden in the price of goods and services.

D. Direct tax can be shifted, while indirect tax cannot be shifted.

78. All of the following are the potential consequence of asymmetric information **except**;

A. Degrading consumer confidence
C. Increasing transaction costs
B. Increasing market Inefficiency
D. Enhancing Social welfare

79. If government wants to attract investment, which of the following policy actions by the central Bank can help the government to achieve its objective?

A. Decrease interest rate
C. Increase Profit tax
B. Increase Income tax
D. Increase Interest rate

80. The most important function of central Bank is;

A. Promote export
C. Controlling Money Supply
B. Promote Import
D. Job creation