*EDUCATIONAL ASSESSMENT AND EXAMINATIONS SERVICE (EAES)*

*ETHIOPIAN SECONDARY SCHOOL LEAVING CERTIFICATE*

*EXAMINATION (ESSLCE)*

*Economics, Sene, 2017 E.C / June/July, 2025 G.C*

**NUMBER OF ITEMS: 80** **SUBJECT CODE: 09**

**TIME ALLOWED: 2:30 HOURS** **BOOKLET CODE: 240**

1. Among the following statements, which one is correct about mitigation strategy to address climate change?

   A. It involves long-term limits on the amount of greenhouse emissions.
   B. It intensives use of non-renewable resources of energy.
   C. It adjusts to the potential impacts of climate change.
   D. It emits the same amount of pollution across all countries.

2. Which one of the following describes green economy?

   A. It uses high carbon, is resource inefficient and socially exclusive.
   B. It reduces environmental risk and ecological scarcity to improve well-being.
   C. It is characterized by loss of biodiversity and ecosystem services.
   D. It emits higher percentage of greenhouse gas than other economies.

3. Which one of the following is **NOT** a sources of renewable energy?

   A. Wind energy
   B. Thermal energy
   C. Solar energy
   D. Fossil fuel energy

4. Which one of the following is correct about green growth?

   A. It employs renewable energy and low carbon.
   B. It exacerbates environmental related risks.
   C. It relies on eroding the natural capital.
   D. It is a carbon intensive growth strategy.

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5. Which one of the following is **NOT** a key cause of Ethiopia's vulnerability to climate change as indicated in the policy documents of the country?

   A. Carbon emission from rapid industrialization
   B. Poor water resource development
   C. High population growth
   D. Dependence on rain-fed agriculture

6. Which one of the following tax approach has the advantage of linking tax equity with the expenditure side of the public budget?

   A. The approach based on vertical equity
   B. The approach based on horizontal equity
   C. The benefits approach
   D. The ability to pay approach

7. Which one of the following statements is correct about the nature of tax system in Ethiopia?

   A. The federal and regional governments share tax revenue and manage their budgets.
   B. The federal government levies taxes on behalf of the regional governments.
   C. The regional governments are solely responsible for tax collection.
   D. The federal government is solely responsible for tax collection.

8. In Ethiopia, which of the following is correct regarding to the turnover tax?

   A. A tax levied on the value added at every stage.
   B. A tax imposed on income from employment.
   C. A tax levied on persons unregistered for value added tax.
   D. A tax imposed on goods that are hazardous to harmful products.

9. Which one of the following is the correct definition of tax evasion?

   A. Paying the same share of tax regardless of income
   B. The degree of complexity in the tax administration system
   C. Falsifying information on tax return to reduce one's tax liability
   D. Taking full advantage of tax provisions to reduce one's tax obligations

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10. What is the reason for poverty to be considered as a multidimensional concept?

A. It only measures quantitative related difference.
B. It depends on several related deprivations.
C. It is based on a single dimension.
D. It is adequately measured with income.

11. In the steps listed for measuring poverty, what does the first step says that '***defining an indicator of welfare***' describe?

A. Taking the first step of measurement to know which people are rich
B. Choosing and calculating a specific poverty measurement
C. Specifying a minimal socially acceptable level of income or consumption
D. Implementing a representative survey in which consumption is measured

12. Which one of the following is in comparison to other people's standing in the economy?

A. Relative poverty
B. Multidimensional poverty
C. Poverty headcount index
D. Absolute poverty

13. Among the following statements, which one is correct regarding to absolute poverty?

A. The explanation of a matter of failure of distributive justice
B. The description of an individual able to command sufficient resources
C. The comparison of an individual to other people's standing in the economy
D. The situation of someone being unable to meet the subsistence basic needs

14. Which one of the following deals with households and the total incomes they receive regardless of the way in which they received that income?

A. Functional distribution of income
B. Factor share distribution of income
C. Social inequality of community
D. Size distribution of income



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15. Which one of the following is true about the status of women in relation to men in development?

A. Intra-household resource allocation favors women.
B. Women are much less likely to be in formal jobs.
C. Women have stable sources of income.
D. Women's earning potential is higher.

16. Which one of the following country made significant progress in reducing poverty over the past half century?

A. India
B. Bangladesh
C. China
D. Eritrea

17. Which one of the following is true about the poverty in Sub-Saharan Africa?

A. The region has managed to escape the problem of poverty.
B. The region has lifted millions of citizens out of poverty in the last decade.
C. The majority of people on less than $1.90 a day live in the region.
D. The region experienced significant reduction in poverty in the past 50 years.

18. What is the main advantage of cottage industries in reducing poverty?

A. It offers self-development exclusively for women.
B. It employs labor intensive techniques.
C. It employs capital intensive techniques.
D. It has insignificant contribution to economies.

19. What was the goal of sustainable development and poverty reduction program (SDPRP) assigned by Ethiopian Peoples' Revolutionary Democratic Front?

A. A massive push to accelerate economic growth
B. Unleashing the potentials of Ethiopia's women
C. Building all-inclusive implementation capacity
D. Capacity building in the public and private sector

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20. Which one the following was the objective of the third five year plan during the imperial period (1968 – 1973)?

A. Expansion of educational opportunities and improvement in peasant agriculture.
B. Acceleration of agricultural development by promoting commercial agricultural venture.
C. Establishment of cadre of skilled and semi-skilled personnel to work in processing industries.
D. Development of a strong infrastructure (transportation, construction, communication).

21. Which one of the following is the focus area of macroeconomics?

A. Cost minimization of a specific company
B. Inflation caused by different factors
C. Profit maximization of a corporation
D. The growth of a firm in the economy

22. In which of the following macroeconomics is different from microeconomics?

A. Analyzing about the actions of individual company
B. Focusing on the specific price of products
C. Studying about the performance of individual firm
D. Studying about the behavior of the aggregate economy

23. Which one of the following is a key challenge of macroeconomics?

A. The amount of profit earned by a given firm
B. The number of unemployed people in a given country
C. Income and consumption pattern of a given household
D. The total amount of laborers hired by a given industry

24. Balance of trade of a country is the difference between

A. trade surplus and trade deficit.
B. export and import earning from goods and services.
C. gross domestic product and gross national product.
D. private and public net remittances and transfers.

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25. Which one of the following school of macroeconomic thought was predominant until the occurrence of the Great Depression?

A. Classical
B. New Keynesian
C. Monetarist
D. Keynesian

26. Which one of the following is the view of Classical theory?

A. Monetary policy can influence output.
B. There is a need of cutting government spending.
C. Fiscal policy is useful to influence output.
D. Recession is a temporary phenomenon.

27. Which one the following macroeconomic school stressed the existence of nominal rigidities arising from nominal wage contracts?

A. The classical
B. The monetarist
C. The new Classical
D. The new Keynesian

28. Which one of the following is true about the differences between monetarist and Keynesian school of thought?

A. Keynesians argued that monetary policy stimulates aggregate demand.
B. Monetarist argued that monetary policy addresses macroeconomic problems.
C. Keynesians argued that aggregate demand is always automatically high.
D. Monetarists argued that fiscal policy addresses macroeconomic problems.

29. Which one of the following best describes about aggregate demand in a given country?

A. It is total demand by households, firms and government on the goods and services in a given period.
B. It is total spending by firms and government on the economy's goods and services in a given period.
C. It is the total expenditure of households and government on goods and services in a given period.
D. It is the total amount that households and firms willingly spend on the country's goods and services in a given period.

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30. Which one of the following is correct about factors affecting household consumption expenditure?

A. Increases in interest rate increases consumption.
B. Decreases in income taxes increases consumption.
C. Expectation of a lower future income increases consumption.
D. Decreases in wealth leads to increase in consumption.

31. What type of possible policy that aims at changing government spending?

A. Fiscal policy
B. Property rights policy
C. Exchange rate policy
D. Monetary policy

32. In a situation when an economy is facing the problem of deficient demand, what will happen to the economy?

A. Depression marked by fall in incomes
B. Enjoyment marked by a fall in prices
C. Depression marked by a decline in unemployment
D. Depression marked by underproduction

33. Which one of the following is important role of fiscal policy in an economy?

A. Solving trade deficit by increasing imports
B. Increasing government expenditure to control inflation
C. Increasing people's income by increasing taxes
D. Increasing government expenditure to solve recession

34. Which one of the following is true regarding the impact of monetary policy on aggregate demand?

A. An increase in money supply decreases aggregate demand.
B. An increase in money supply increases aggregate demand.
C. Lowering interest rate decreases aggregate demand.
D. Increasing the discount rate increases aggregate demand.

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35. Which one of the following is the main issue of macroeconomic policy?

A. Encouraging firm's competition
B. Restructuring the market
C. Maximizing firm's profit
D. Controlling inflation

36. One of the following correctly describes weather. Which one is it?

A. It is rainy season occurs for long period of time.
B. It is long-term atmospheric conditions.
C. It is unpredictable atmospheric conditions.
D. It is short-term atmospheric conditions.

37. Which one of the following is true regarding the link between global warming and climate change?

A. There is no link between economic activity and energy emission through the greenhouse effect.
B. Burning of fossil fuels and reductions of forests that sink carbon dioxide decreases greenhouse gases.
C. Greenhouse gases raise atmospheric temperatures and produce other changes in the climate system.
D. Global warming is unrelated to human activities emitting greenhouse gases.

38. Which one of the following shows the impact of environmental degradation and climate change on economic growth?

A. Use of biologically renewable resources and renewable physical stock
B. Improvement in the economic well-being of the rural people
C. Improvement of food security due to length of growing seasons in arid areas
D. Long-term changes influencing agriculture, water, health and other sectors

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39. Which one of the following is an example of mitigation strategy to tackle climate change?

A. Destabilizing greenhouse gases
B. Reducing the release of carbon dioxide ($CO_2$)
C. Subsidizing the use of fossil fuels
D. Reducing the role of indigenous communities

40. Which one of the following is responsible for an active economic activity and emission link resulting in global warming?

A. Mitigation policies
B. Carbon taxes
C. Green growth strategies
D. Greenhouse gases

41. Which one of the following is the objective of the national long-term plan after the reform of 2021 – 2030?

A. Maintaining macroeconomic stability, ensuring rapid sustainable economic growth and creating decent job
B. Speed up and catalyze transformation of the domestic private sector and render them a capable development force
C. Expanding access to education and health services and achieving MDGs
D. Launching strategy of Agricultural Development Led Industrialization

42. Which one of the following was a crucial component of the second five year plan during the monarchy regime?

A. Transition from an agricultural economy to an agro-industry
B. Strengthened a political system that guaranteed administrative justice
C. Enhancement of technical and vocational education
D. Overvalued currency and implemented pricing policies

43. Which one of the following was the challenges Ethiopia encountered with during its implementation of the Growth and Transformation Plans I and II?

A. The contribution of the service sector to the overall GDP was the highest.
B. The contribution of each sector to the overall economy was uniformly low.
C. Sluggish structural transformation and weak sectoral linkages.
D. Actual growth performance was higher than the annual target rate.

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44. Which one of the following is correct about the key strategic pillars of the ten-year development plan after reform?

A. Public sector-led economic growth
B. Gender and social exclusion
C. Building regional monopoly power and economy
D. Quality economic growth and shared prosperity

45. Among the followings, which one is the objective of the Home Grown Economic Reform?

A. Encouraging debt vulnerabilities
B. Maintaining macroeconomic stability
C. Transition from private to public sector-led growth
D. Creating inadequate job opportunities

46. Which one of the following is a determinant of aggregate demand?

A. State of technology
B. Cost of inputs
C. Availability of credit
D. Change in productivity

47. What is the effect of an exogenous increase in government spending?

A. Aggregate demand shifts to the left decreasing output and increasing price level.
B. Aggregate demand shifts to the right increasing output but decreasing price level.
C. Aggregate demand shifts to the right increasing both output and price level.
D. Aggregate demand shifts to the left increasing both output and price level.

48.. Which one of the following is correct about factors affecting aggregate supply?

A. Higher price of imported raw materials leads to firms to produce more.
B. Lower demand for commodities in the market initiates firms to produce more.
C. Subsidizing domestic industry in technology leads to decrease production.
D. Qualified high managerial ability leads to firms to produce more production.

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49. Among the following statements, which one is correct about the short-run aggregate supply curve?

A. It shows the quantity demanded at different price levels, ceteris paribus.
B. It reveals that as price level rises, firms decrease the quantity supplied of goods.
C. It shows the quantity supplied of output at various price levels, ceteris paribus.
D. It reveals that as price level drops, firms increase the quantity supplied of goods.

50. Which one of the following is true about short-run equilibrium in the economy?

A. The occurrence of a surplus of goods leads to firms decrease output and consumers increase consumption.
B. It is the intersection of long-run and short-run aggregate supply curves.
C. The occurrence of a shortage of goods leads to firms decrease output and consumers decrease consumption.
D. It is the intersection of aggregate demand and aggregate supply.

51. Suppose the price level changed from the equilibrium of aggregate demand and short run aggregate supply in an economy. Which of the following is true about the result?

A. At a lower price level, there will be shortage and the price level rises.
B. At a higher price level there will be surplus, and the price level increases.
C. At a lower price level, there will be surplus, and the price level decreases.
D. At a higher price level there will be shortage, and the price level increases.

52. Which one of the following statements correctly describe market failure?

A. The steady state equilibrium in which quantity supplied is equal to quantity demanded.
B. The inefficient distribution of goods and services in the free market.
C. The individual incentives for rational behavior lead to rational outcomes for the group.
D. The price mechanisms accounts for all the costs and benefits to provide and consume a good.

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53. Which one of the following is a solution for the market failure caused by a firm that pollutes a river?

A. Encouraging the polluting firm
B. Renting the polluted river
C. Taxing the polluting firm
D. Subsidizing the polluting firm

54. Which one of the following explains the free rider problem in an economy?

A. All individuals have the incentive to pay for the public good.
B. The free rider problem enables the markets operate efficiently for public goods.
C. Free ridership is a problem that arises due to the excludable nature of public goods.
D. Individuals get the benefits of public goods without contributing anything to the cost.

55. Among the following alternatives, which one represents a positive externality?

A. Vaccination program in the neighborhood
B. Overgrazing cows in the common pasture lands
C. Playing loud music in the neighborhood
D. Smoking in public places

56. Asymmetric information is a situation when

A. buyers and sellers want to be free riders.
B. buyers and sellers lack agreement on the price.
C. buyers and sellers have different types of information.
D. buyers and sellers have the same type of information.

57. When an individual builds on their skills by acquiring more education/training, the individual is trying to

A. create externality for the employer.
B. signal to the employer.
C. free ride the employer.
D. screen the employer.

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58. Why is it necessary the need for consumer protection?

A. Consumers' interest and business survival are unrelated.
B. Consumers have the same information as sellers.
C. Consumers often do not exercise their rights.
D. Sellers compete with each other aggressively.

59. Which one of the following is among the general objectives of macroeconomic policy?

A. Healthy balance of payment
B. Profit maximization
C. Cost minimization
D. Income inequality

60. Among the following alternatives, which one is a monetary policy tool?

A. Taxation
B. Discount rate
C. Transfer payments
D. Grants in aid

61. Which one of the following is true about income policy?

A. It stabilizes the interest rate.
B. It encourages reduction of taxes.
C. It stabilizes wages and prices.
D. It facilitates money supply.

62. Consider the market for teff, what will be the impact of a government imposition of a price floor?

A. The price floor is below the equilibrium price of teff resulting in surplus of teff.
B. The price floor is above the equilibrium price of teff resulting in surplus of teff.
C. The price floor is below the equilibrium price of teff resulting in shortage of teff.
D. The price floor is above the equilibrium price of teff resulting in shortage of teff.

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63. In a free market for labor, the wage rate is determined such that

A. the government sets the minimum wage.
B. the supply of labor is greater than the demand for labor.
C. the demand of labor is greater than the supply of labor.
D. perfect, costless information and labour mobility.

64. Which one of the following is the disadvantage of the floating exchange rate regime?

A. Governments are free to pursue other policies
B. Instability and uncertainty facing firms and consumers
C. Correction of balance of payments deficits
D. Protection from external shocks

65. What is the correct name for a decrease in the exchange rate due to market forces?

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

66. Which one of the following is **NOT** a financial sector reform component of the macroeconomic reforms of the Home Grown Economic Reforms?

A. Strengthen the capacity of the National Bank of Ethiopia
B. Establish and expand capital markets
C. Reduce the supply of credit to the private sector
D. Promote market based interest rate

67. Which one of the following is an advantage of fiscal decentralization?

A. Ineffectiveness of redistributing program
B. Fostering intergovernmental competition
C. Local externalities
D. Inefficient tax system

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68. Which one of the following is true regarding the link between population growth and the environment?

A. Rapid population growth leads to capital formation and accelerated rural development due to high propensity to save and invest.
B. Rapid population growth enables improvement in land to man ratio due to the elastic supply of land.
C. Rapid population growth reduces disguised unemployment and increases per capita productivity.
D. Rapid population growth accompanied by heavy rural-urban migration could lead to urban pollution.

69. Rural development is a strategy focused on

A. increasing rural-urban migration.
B. the utilization of natural resources.
C. capital intensive resources.
D. technology intensive resources.

70. Which one of the following best describe climate change?

A. A decline in forest coverage through deforestation
B. Release of greenhouse gases in to the atmosphere
C. Persistent variation in the mean state of climate
D. A short lived change in the weather from day to day

71. Among the following statements, which one is correct about taxation?

A. It is payments that individuals make to government if they want.
B. It is the only source of revenue for the government for personal use.
C. It is payment made to government to obtain direct benefit in return.
D. It is the compulsory, unrequited payments to general government.

72. Which one of the following is the main objective of taxation?

A. Encouraging import
B. Reducing regional balance
C. Stabilizing the economy
D. Minimizing income equalities

73. In United Kingdom (UK), what is the main objective of a "sin tax" on products like tobacco?

A. Reducing consumption
B. Stabilizing the economy
C. Encouraging administrative efficiency
D. Encouraging consumption

74. Which one of the following correctly states about tax incidence?

A. It relates to the way the burden of tax is distributed among economic units.
B. It points out who is illegally responsible for paying the tax from the income.
C. It is imposing high taxes on high income earners without any consideration.
D. It is the way of discouraging low income earners from paying taxes.

75. Which one of the following is the characteristic feature of a good tax system?

A. It enables optimum allocation of resources.
B. It is narrow based-tax and is levied only on income.
C. It creates income inequalities.
D. It is complex and financially inelastic.

**Item 76 to 80 are to be attempted by non-visually impaired candidates only**

76. Suppose the area between the line of complete equality (45 degree) and the Lorenz curve is 60 units. Additionally the whole area below the line of equality (45 degree) is 150 units. What is the Gini-coefficient?

A. 0.6
B. 0.2
C. 0.4
D. 0.3

77. What is an income tax of an employee works in the one of Ethiopian government development organization with salary of Birr 36,000?

A. Birr 26,400
B. Birr 24,900
C. Birr 12,600
D. Birr 11,100

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78. In November 2010, the Consumer Price Index (CPI) for a country was100. In November 2011 the Consumer Price Index CPI for the same country was 130. What was the inflation rate for 2011?

A. 10%
B. 23%
C. 13%
D. 30%

79. The unemployment rate for an economy is 4 %. The labor force is estimated to be 55 million. What is the number of unemployed people in millions?

A. 20 million
B. 22 million
C. 2.2 million
D. 220 million

80. Suppose the adult population in a given country is estimated at 105 million. The total number of employed and unemployed individuals is estimated at 55 million and 8 million respectively. What is the labor force participation rate?

A. 11%
B. 60 %
C. 66%
D. 7%

**Item 81 to 85 are to be attempted by visually impaired candidates only**

81. Which one of the following increase consumption?

A. An increase in business taxes
B. A decrease in wealth
C. An increase in future price
D. A decrease in future income

82. What is the economic terminology for the situation where non-smokers suffer by the air contamination induced by smokers?

A. Asymmetric information
B. Externality
C. Non-excludable
D. Free rider

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83 How should taxes be distributed in case of the ability-to-pay approach to taxes?

A. Ease of tax administration
B. Expenditure side of the budget
C. As per the capacity of tax payers to pay
D. In line with the benefits derived from public services

84. Which one of the following refer to the capability approach of studying poverty?

A. Ability to function
B. Comparison to others
C. Income and wealth
D. Headcount index

85. Which one of the following is correct about the role of the traditional institution of ***Iqub*** in reducing poverty in Ethiopia?

A. Being top down societal organization
B. Having limited role in development
C. Borrowed ideas from the western world
D. Pooling resources for a common good

**THE END**

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