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ETHIOPIAN SECONDARY SCHOOL LEAVING CERTIFICATE EXAMINATION (ESSLCE)

Economics Exam Booklet - Code 499

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NUMBER OF ITEMS: 85	**SUBJECT CODE: 09**
BOOKLET CODE: 499	**TIME ALLOWED: 2:30 HOURS**

ECONOMICS (QUESTIONS 1 - 85)

Directions: *Solve each of the problems given in questions 1 - 85 and select the correct answer from the given four alternatives. Then, blacken the letter of your choice on the separate answer sheet provided.*

1. Which one of the following is correct about the effect of change in income?

A. Normal goods are goods for which consumption decreases as income increases.

B. When consumer income increases, ceteris paribus, budget line shifts downward.

C. Inferior goods are goods of which consumption decreases as income increases.

D. When consumer income decreases, ceteris paribus, budget line shifts outward.

2. Given two goods X and Y, and income of the consumer, what happens if the price of X changes, ceteris paribus?

A. A decrease in price of X will lead to inward rotation of the budget line.

B. An increase in price of X decreases the maximum amount of good X that the consumer can buy.

C. An increase in price of X increases the maximum amount of good X that the consumer can buy.

D. An increase in price of X will lead to outward rotation of the budget line.

3. Suppose the firm is operating under the market structure characterized by the increase in price will reduce its quantity demanded and the decrease in price will result in an increase in quantity demanded. The shape of the demand curve for the firm will be:

A. horizontal.

B. vertical.

C. downward sloping.

D. upward sloping.

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4. Short-run equilibrium of the monopolist is a point where:

A. profits are maximized.

B. losses are maximized.

C. profits are minimized.

D. revenues are minimized.

5. What differentiates a product group from an industry? A product group is a:

A. collection of firms producing identical commodities.

B. group of firms supplying to identical consumers.

C. group of products having the same quality.

D. collection of firms producing differentiated products.

6. Which one of the following is the extra or additional total cost that results from producing one more unit of output?

A. Average Variable Cost

B. Average Total Cost

C. Marginal Cost

D. Average Fixed Cost

7. Among the following statements, which one is a character of pure monopoly market structure?

A. A single buyer and many sellers

B. Many buyers and many sellers

C. Few sellers and many buyers

D. Single seller and many buyers

8. The beverage industry is composed of many firms producing and supplying differentiated products. What kind of market structure does the beverage industry resembles?

A. Perfectly Competitive

B. Oligopoly

C. Monopolistically competitive

D. Monopoly

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9. Which one of the following is the major role of non-banking financial institutions?

A. Mobilizing savings from depositors

B. Facilitating bank-related financial services

C. Providing loan to borrowers

D. Serving as intermediary between borrowers and lenders

10. Which one of the following is correct about the roles and functions of microfinance institutions?

A. Controlling the creation of credit by commercial banks

B. Selling and purchasing foreign currencies and issue letter of credit

C. Providing large loans for development of agriculture and industry

D. Providing credit without a collateral through group lending

11. Which one of the following is correct about the Mercantilists' view on trade?

A. To promote a favorable trade balance, they advocate trade liberalization.

B. To minimize imports, they advocate imposition of tariff and quota.

C. To generate more revenue for importing nation imports were considered good.

D. To prevent the country's holdings of gold being depleted increasing imports is important.

12. Assume that the total value of export of goods and services of Country "X" in the year 2020 was less than the total value of imported goods. Which one of the following statements is correct about the status of this country?

A. There is trade surplus

B. There is trade balance

C. There is capital account deficit

D. There is trade deficit

13. Which one of the following is correct about the effect of devaluation of local currency on the economy?

A. It is expected to equally encourage export and imports.

B. With devaluation, imports become expensive while exports become cheap.

C. It is expected to encourage imports and discourage exports.

D. With devaluation, import becomes cheaper while exports become expensive.

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14. Which one of the following explains the basic difference between economic growth and development?

A. While a country may grow richer through the growth of its real output it does not necessarily mean that it will develop.

B. Economic growth is a process where there is improvement in the lives of all people in the country.

C. Economic development is determined by the percentage increase of the GDP from one time period to other.

D. GDP per capita measures the effect of economic development on living standard of the population.

15. Which one of the following indicators is component of Human Development Index?

A. Multidimensional Poverty Index

B. Gender Empowerment Measure

C. Gender Inequality Index

D. Educational Attainment Index

16. Which one of the following is among the key strategic pillars of the ten-year development plan in the home-grown economic reform period?

A. Strengthen human resource development

B. Quality economic growth and shared prosperity

C. A massive push to accelerate economic growth

D. Managing risk and volatility

17. Which one of the following is correct about the vulnerability and impact of climate change?

A. The poor and marginalized people are the least exposed to adverse impact of climate change.

B. Africa and South Asia are identified as the two most vulnerable regions to climate change.

C. The developed countries will be hit the earliest and hardest by climate change.

D. Developed countries have contributed little to causing the problem.

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18. For developing countries like Ethiopia, climate change complicates the existing challenges of poverty reduction. To minimize its effect, if Ethiopia follows tax on carbon and subsidies to encourage faster technological progress, which one of the following terms best reflects the country's strategy?

A. Mitigation of climate change

B. Adaptation to climate change

C. Coping with climate change

D. Vulnerability to climate change

19. Which one of the following terms explains an economy characterized by low carbon usage, resource efficiency and socially inclusive?

A. Green economy

B. Green growth

C. Developed economy

D. Developing economy

20. Ethiopia is cited as one of the most vulnerable countries to future climate change. Accordingly, the country has been implementing an environment and climate change strategy which envisaged carbon-neutral growth based on an energy efficient development trajectory. Which one is it?

A. National Adoption Programme of Action

B. Nationally Appropriate Mitigation Actions

C. Climate Resilient Green Economy Strategy

D. Green Industrialization Strategy

21. Among the following statements, which one is correct about the limitation of Human Development Index (HDI)?

A. It assigns weights to certain factors that have equal trade-offs.

B. It correlates factors that are more common in developing economies.

C. It takes into account factors such as inequality and poverty.

D. The values of the factors that make up the HDI are limited between 0 and 2.

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22. In which one of the following Millennium Development Goal, that Ethiopia made significant progress?

A. Eradicating extreme poverty and hunger

B. Ensuring environmental sustainability

C. Improving maternal health

D. Developing a global partnership for development

23. Which one of the following is correct about the relationship between the Millennium Development Goals and the Sustainable Development Goals?

A. Millennium development goals are less ambitious and narrow, compared to sustainable development goals.

B. Millennium development goals include affordable and clean energy as a goal which are not included in sustainable development goals.

C. Millennium development goals exclude poverty reduction as a goal which are included in sustainable development goals.

D. Sustainable development goals are more universal in coverage compared to millennium development goals.

24. Which one of the following is separately categorized under the Sustainable Development Goals?

A. Reduce child mortality

B. Responsible consumption and production

C. Combat HIV/AIDS, malaria and other diseases

D. Achieve universal primary education

25. Which one of the following is advantage of bi-modal agricultural strategy?

A. It protects peasants from eviction.

B. It reduces poverty in the rural economy.

C. It reduces outgoing migration from rural areas.

D. It promotes large-scale diversification.

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26. For a constant aggregate demand, if the shock in the economy shifts the aggregate supply curve to the left, what would be the possible cause?

A. Improvement in production technology

B. An increase in money supply, given the price level

C. Increase in the amount of capital and labor

D. An increase in price of factors of production

27. Which one of the following is the major feature of pure public goods?

A. Rivalry in consumption and excludability

B. Non rivalry in consumption and non-excludability

C. Non rivalry in consumption and excludability

D. Rivalry in consumption and non-excludability

28. Which one of the following is correct about the difference between pure private good and pure public goods?

A. In pure private goods additional cost incurred by the additional person is zero.

B. In pure public goods additional cost incurred by the additional person is positive.

C. In pure private goods the benefits of using the good cannot be priced.

D. In pure public goods the benefits of using the good cannot be priced.

29. Which one of the following is correct about the characteristics of externality?

A. Externalities are reciprocal in nature

B. Externalities can only be generated by consumers

C. Externalities are rival and non-excludable

D. Externalities are the result of one person's action

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30. Suppose in a car market transaction, sellers take advantage of buyers because the sellers have better information about the dynamic of product quality and market price change of cars than the buyers. Which one of the following is the implication of such kind of asymmetric information?

A. It results in efficient market equilibrium for involving parties.

B. It guarantees the same decision for the involving parties.

C. It creates an imbalance in power in transactions to involving parties.

D. It helps all involving parties to have equal information about the good.

31. Which one of the following statements is correct about product differentiation?

A. It is the characteristic of firms operating under perfectly competitive market structure.

B. It shows that fancied differentiation occurs when there are differences in input use.

C. It shows that real differentiation occurs when there are differences in product specification.

D. It is one way that firms operating in a pure monopoly market can acquire market power.

32. Which one of the following statements is correct about collusive oligopoly?

A. There are few dominant sellers selling only differentiated product.

B. Cartel and price leadership are two alternative forms of competition.

C. In collusive oligopoly firms determine the price of their product independently.

D. In collusive oligopoly firms can set up a monopoly price on their product.

33. Which one of the following GDP measurement approaches captures government purchase and net export as its component?

A. The income approach

B. The expenditure approach

C. The value-added approach

D. The product approach

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34. Suppose the planning expert wants to measure the GDP of the country using alternative approaches by including all the necessary components in each approach. Which one of the following statements is correct about the components of approaches?

A. In expenditure approach, we add the returns of factors of production to measure GDP.

B. The income approach of GDP accounting represents the demand for final goods and services.

C. In the product approach GDP is estimated by calculating the value added at each stage of production.

D. Rent and profit payments are components of the value-added approach of measuring GDP.

35. Which one of the following is correct about nominal GDP and real GDP?

A. Nominal GDP values goods and services at current price.

B. Nominal GDP is GDP adjusted for price changes.

C. Real GDP values goods and services at current price.

D. Nominal is GDP computed using a base year price.

36. Which one of the following is correct about the major challenges of the agricultural sector in the Ethiopian economy?

A. Increasing availability of marketing facilities

B. Increasing adaption of modern agricultural practices

C. Increasing prices of agricultural outputs

D. Increasing prices of agricultural inputs

37. Which one of the following is correct about the contribution of the service sector in the Ethiopian Economy over the last two decades?

A. Its employment contribution is largest next to the industrial sector.

B. Its large contribution to the GDP comes from government employment.

C. Its contribution to foreign exchange earning has been decreasing over time.

D. Its achievements have been mainly reflected in areas of wholesale trade.

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38. Gemechu owns a sole proprietorship type of business and incurred a loss. Which one of the following could result in the sale of his private house if his business assets are not enough to cover the business liabilities?

A. Unlimited liability

B. Non-transferability of shares

C. Not suitable for large scale operations

D. Limited managerial expertise

39. Which one of the following statements is correct about the budget line?

A. It shows the optimal combination of two goods that the consumer can buy when his or her income changes.

B. It shows the various combinations of two commodities which give equal satisfaction to the consumer.

C. It shows different combinations of two goods that a consumer can buy with a given income at a given price.

D. It shows the locus of points representing various combinations of the two commodities purchased by the consumer.

40. Which one of the following factors causes upward shift of the budget line?

A. Increase in both income of the consumer and prices of commodities

B. Increase in income keeping the price of commodities unchanged

C. Decrease in income keeping the price of commodities unchanged

D. Decrease in both income of the consumer and price of commodities

41. Suppose an open economy interacting with the rest of the world through trade and investment. Which one of the following is a desirable outcome for this economy?

A. A decrease in overall price level of goods and services over a certain period

B. An increase in the value of import more than the value of export

C. A decrease in the level of output within an economy over a given time period

D. An increase in unemployment within an economy over a given period of time

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42. Which one of the following is correct about economic growth?

A. Short run growth occurs when there is a sustained increase in per capita income.

B. Structural change is characterized by a decrease in share of industry in GDP.

C. Long-run economic growth is associated with structural change in the economy.

D. Structural change is characterized by an increase in share of agriculture in GDP.

43. Among the following, which one is NOT the possible reason behind why some countries are rich while the others are poor?

A. Variance in nature of institutions

B. Variance in natural resources endowment

C. Difference in productivity of factor inputs

D. Difference in location of the country

44. Which one of the following is categorized under consumption expenditure on goods?

A. Expenditure by households on medical care

B. Households' expenditure on appliances

C. Expenditure by households on education

D. Households' expenditure on haircuts

45. Total spending in the economy rises from one year to the next due to either the economy is producing a larger output or outputs are being sold at higher prices. To measure these effects, economists use real GDP and Nominal GDP. Which one of the following is correct about the two measures?

A. Change in real GDP reflects only changes in the amounts being produced.

B. Nominal GDP values the economy's production of goods and services at a constant base year price.

C. Change in nominal GDP reflects only changes in the amounts being produced.

D. Real GDP values the economy's production of goods and services at current price.

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46. Which one of the following principles of taxation states that the tax system should be able to yield enough revenue so that it should not be forced to resort to deficit financing?

A. Principle of fiscal adequacy

B. Principle of economy

C. Principle of maximum revenue

D. Principle of tax equity

47. Which one of the following is the objective of tax imposition by the government?

A. Increasing income and wealth inequalities

B. Encouraging the consumption of harmful products

C. Encouraging export and minimize unemployment

D. Increasing regional imbalances

48. Which type of tax is imposed and payable on luxury items according the Ethiopian tax policy?

A. Turnover tax

B. Surtax

C. Value added tax

D. Excise tax

49. Suppose an Ethiopian importer is importing commodities by taking full advantage of the deductions or incentives approved in the tax schedule by the government to reduce its tax obligation. Which one of the following terms reflects such kind of a tax non-compliance problem?

A. Tax avoidance

B. Tax evasion

C. Tax reduction

D. Tax advantage

50. Which one of the following is a measure of inequality which is often expressed by the ratio of the area between the Lorenz curve and a 45^0 line and the total area under the 45^0 line?

A. Kuznets ratio

B. Human Development Index

C. Per capita income

D. Gini Coefficient

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51. To measure the general price level of an economy policy makers use the GDP deflator, Consumer's Price Index (CPI) and Producer Price Index (PPI). Which one of the following is correct about these measures?

A. The ratio of Nominal GDP to real GDP is equivalent to CPI.

B. The ratio of Real GDP to GDP deflator is equivalent to Nominal GDP.

C. The ratio of Nominal GDP to real GDP is equivalent to PPI.

D. The ratio of Nominal GDP to real GDP is equivalent to GDP deflator.

52. Which one of the following is correct about the role of investment on economic growth?

A. It boosts economic growth by increasing consumption expenditure.

B. It leads to lower economic growth by reducing saving.

C. It leads to higher economic growth by increasing capital stock.

D. It limits economic growth by postponing gains in to longer period.

53. Which one of the following statements is correct about the relationship between consumption and saving?

A. When income is more than consumption there is a positive saving.

B. When income equals to consumption there is a positive saving.

C. When income is more than consumption there is a dissaving.

D. When income is less than consumption there is a positive saving.

54. Which one of the following correctly defines investment?

A. It is the amount of goods purchased for current consumption.

B. It involves reducing saving for purchasing consumer goods.

C. It is the amount of goods purchased and not consumed in present time.

D. It involves increasing consumption by selling fixed assets.

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55. Which one of the following best describes the ability of one country to produce one of the two goods at the lower cost relative to its trading partner?

A. Absolute cost Advantage

B. Principle of comparative advantage

C. Absolute cost disadvantage

D. Principle of comparative costs

56. Which one of the following is among the top priorities of the Ethiopian government in the recent development of the agricultural sector?

A. Nationalization of all private and commercial farms

B. Government control of virtually all agricultural input and output markets

C. Small and large-scale irrigation development and financing inputs

D. Forced food-grain quota deliveries at predetermined price

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

A. What factors determine the productivity of manufacturing firms?

B. How does the increase in selling price affect profitability of firms?

C. What is the cause of inflation and how it can be determined?

D. Why do outputs and employment of manufacturing firms fail?

58. Which one of the following correctly explains the concept of aggregate demand?

A. The total amount of goods produced within an economy at a given period.

B. The total spending by different sectors of the economy at a given period.

C. The sum of individuals demands for a given product with in a year.

D. The total amount of spending by an individual with in a year.

59. What explains the upward slope of the aggregate supply curve?

A. Sticky wages

B. Wage-inflation spiral

C. Limited labor supply

D. Sticky prices

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60. Which one of the following is correct about the short-run market equilibrium?

A. At equilibrium the aggregate demand is greater than the aggregate supply.

B. At equilibrium the aggregate demand is equals to the aggregate supply.

C. At equilibrium the aggregate demand is less than the aggregate supply.

D. At equilibrium the aggregate demand and aggregate supply equals to zero.

61. Which one of the following consumer protection argument states that it is a moral responsibility of the business to serve the interest of consumers?

A. Consumer satisfaction

B. Social responsibility

C. Principle of trusteeship

D. Principle of social justice

62. If the economy is facing deficient demand, which one of the following fiscal policy should be applied?

A. Increasing government expenditure

B. Increasing the tax rate

C. Increasing the discount rate

D. Increasing required reserve ratio

63. Which one of the following is the objective of income policies?

A. It can be used as substitute when expansionary fiscal and monetary policies fail to reduce the price level.

B. It can be used to increase money supply during inflation.

C. It can be used as substitute when expansionary fiscal and monetary policies fail to increase the price level.

D. It can be used to stabilize the price level during inflation.

64. Assume that the private manufacturing firm is paying a wage for a worker which is lower than their marginal productivity. What should be the possible solution to protect these workers from this unduly low pay?

A. Setting a price ceiling

B. Setting a minimum wage

C. Setting income range

D. Setting a profit ceiling

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65. Which one of the following is correct about the pricing policy?

A. A price ceiling keeps a price from falling below a particular level.

B. A price ceiling provides unintended incentives causing a surplus in the market.

C. A price floor must be higher than the equilibrium price in order to be effective.

D. A price floor is a maximum legal price below the equilibrium price.

66. Economic inequality is the disproportionate distribution of total national income among households. Which one of the following is correct about the alternative measurements of income inequality?

A. Kuznets ratio is a measure of the degree of inequality between high income and low-income groups in the country.

B. The Gini-coefficient value equals to zero implies perfect inequality.

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

D. In the Lorenz curve if income distribution were perfectly unequal, it would be represented by the 45-degree line.

67. Which one of the following is correct about the situation of global and regional poverty?

A. There are clear indications that the conditions of global poverty has worsened over the past half century.

B. Extreme poverty remains wide spread in developing world in past decades.

C. Sub-Saharan Africa showed a remarkable achievement in eradicating poverty from 1950 to 2000.

D. China has experienced virtually no rate of poverty reduction in the past decades.

68. Which one of the following is the main reason why women face poverty?

A. They have less access to education, formal sector employment and social security.

B. They are more likely to obtain formal employment in private companies.

C. They have unlimited control over household income and resources.

D. They have equal access to the resources that are necessary to generate stable incomes.

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69. Which one of the following is the objective of the third five-year plan (1968-1973) during the Imperial Period?

A. Developing strong infrastructure particularly in transportation and communication

B. Accelerating agriculture development by promoting commercial agriculture

C. Diversifying of production and introduction of modern processing methods

D. Raising manufacturing and agro-industrial performance and expansion of educational opportunities

70. The 1974 revolution by Derg resulted in the establishment of a socialist state which aimed at the nationalization and restricting of the Ethiopian economy. The regime changed the previous national development strategy placing emphasis on a centrally planned economy. Which one of the following is correct about the major changes?

A. The agriculture-led development was deployed as the main development strategy.

B. The rural land and other productive assets were privatized, and land was distributed among farmers.

C. The commercial farms were put under government control, and land tenancy was abolished.

D. Rural lands are transferred to large manufacturers due shift to industry-led development policy.

71. Which one of the following is correct about the optimum of the consumer under the cardinal utility theory?

A. The equilibrium is defined by the tangency of the indifference curve and the budget line.

B. The equilibrium is defined by equality between the total utility and income of the consumer.

C. At equilibrium, the marginal utility from the commodity must be equal to the price of the commodity.

D. At equilibrium, the total utility of the commodity must be equal to the price of the commodity.

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72. Which one of the following is correct about market demand and individual demand for a commodity?

A. Individual demand is the quantity of the commodity that a person is willing to buy based on his/her preference.

B. Quantity demanded in the market at each price is the sum of the individual demands of all consumers at that price.

C. Individual demand curve can be derived by taking horizontal summation of market demand curves.

D. Market demand is the horizontal summation of individual demand at a given income level.

73. Excess supply occurs in the market when:

A. quantity supplied exceeds quantity demanded.

B. quantity demanded equals to quantity supplied.

C. quantity supplied is less than quantity demanded.

D. quantity demanded exceeds quantity supplied.

74. Which one of the following is correct about the effect of change in demand and supply on equilibrium price and quantity?

A. If supply is constant, an increase in demand will lead to decrease in price and increase in quantity.

B. If supply is constant, an increase in demand will lead to increase in both the equilibrium price and quantity.

C. If demand is constant, a decrease in supply lead to increase both price and quantity.

D. If demand is constant, an increase in supply lead to increase in price and decrease in quantity.

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75. Which one of the following is correct about capital side technical progress?

A. It increases the marginal Product of Labor more than marginal product of capital.

B. It increases the marginal product of capital and the marginal product of labor equally.

C. It increases the marginal product of capital more than the marginal product of labor.

D. It increases the marginal product of labor while the marginal product of capital is constant.

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

76. Given the following short run total production function (TP) where Labor(L) is the only variable input used in the production process: $TP = L^3 - 3L$, if the firm wants to increase the amount of labor(L) used from 4 to 5, then which one of the following is the Marginal Product (MP) of extra unit of labor?

A. 80

B. 52

C. 58

D. 32

77. Given the following numerical values of marginal and total utility derived from consumption of orange in the table below.

Quantity Consumed (Q)	0	1	2	3	4	5	6	7	8	9
Total Utility (TU)	0	13	24	-	37	38	38	37	34	30
Marginal Utility (MU)	-	13	11	7	6	1	0	-1	-3	-4

Depending on the information provided in the table, what is the total utility of the 3rd unit of orange?

A. 36

B. 31

C. 30

D. 37

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78. If the Real GDP of country "A" in the year 2023 is 19,550,000 dollar and in the year 2022 it was 18,600,000 dollar, then the real GDP growth in 2023 as compared to the previous year will be equal to:

A. 5.11 %

B. 3.39 %

C. 6.55 %

D. 4.86 %

79. In a hypothetical country, (K) the number of employed labor is 25 million and the number of unemployed labor is 5 million. Moreover, the total adult population of the country is given as 80 million. How much is the labor force participation rate?

A. 25.1 %

B. 25 %

C. 31.3 %

D. 37.5 %

80. Given the budget equation as: $2X + 3Y = 60$ where Price of commodity X ($P_x = 2$), Price of commodity Y ($P_y = 3$), and income of the consumer ($M = 60$), then which one of the following is the slope of the budget line?

A. 3/2

B. -3/2

C. 1/3

D. -2/3

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

81. In trade policy, what makes a tariff measure different from non-tariff measures?

A. It focuses on quantitative restrictions.

B. It is a tax imposed on imported goods.

C. It includes subsidies given to domestic industries.

D. It completely bans the import of certain goods.

82. What does the Environmental Kuznets Curve states about the relationship between the environment and economic growth?

A. As per capita incomes rise, pollution and other forms of environmental degradation would also rise.

B. As per capita incomes rise, pollution and other forms of environmental degradation would first fall and then rise following U Pattern.

C. As per capita incomes rise, pollution and other forms of environmental degradation would fall.

D. As per capita incomes rise, pollution and other forms of environmental degradation would first rise and then fall in inverted - U pattern.

83. Selam wants to borrow money to finance her small business, but she does not have the required collateral. Which one of the following can serve her credit need?

A. Microcredits

B. Microfinances

C. Investment Banks

D. Commercial Banks

84. Which one of the following is categorized under the Millennium Development Goals?

A. Peace and justice strong institutions

B. Responsible consumption and production

C. Achieve universal primary education

D. Decent work and economic growth

85. Which one of the following is correct about the long-run and short-run production functions?

A. Long-run is a period of time over which at least one factor of production is fixed.

B. Short-run is a period of time which is sufficient to change all inputs.

C. In short-run and long-run both capital and labor are variable inputs.

D. Short-run is a period of time over which at least one factor of production is fixed.

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THE END

ESSLCE ECONOMICS

Official Answer Key - Booklet Code: 499

Exam Solutions & Answers (1 - 85)

1. C	2. B	3. C	4. A	5. D	6. C	7. D	8. C	9. D	10. D
11. B	12. D	13. B	14. A	15. D	16. B	17. B	18. A	19. A	20. C
21. A	22. A	23. D	24. B	25. A	26. D	27. B	28. D	29. A	30. C
31. C	32. D	33. B	34. C	35. A	36. D	37. D	38. A	39. C	40. B
41. A	42. C	43. D	44. B	45. A	46. A	47. C	48. D	49. A	50. D
51. D	52. C	53. A	54. C	55. A	56. C	57. C	58. B	59. A	60. B
61. B	62. A	63. D	64. B	65. C	66. A	67. B	68. A	69. B	70. C
71. C	72. D	73. A	74. B	75. C	76. C	77. B	78. A	79. D	80. D
81. B	82. D	83. B	84. C	85. D					

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Detailed Explanations: Economics (1 - 45)

Q1 (C): Inferior goods are defined as goods whose consumption decreases as consumer income increases (and vice versa), exhibiting a negative income elasticity of demand.

Q2 (B): The maximum amount of good X a consumer can purchase is given by M / Px. When the price of X increases, M / Px decreases, resulting in a reduction of the maximum purchasable quantity of X and an inward rotation of the budget line.

Q3 (C): According to the Law of Demand, price and quantity demanded are inversely related, which corresponds to a downward-sloping demand curve.

Q4 (A): Like any other rational firm in the short run, a monopolist achieves equilibrium at the output level where marginal revenue equals marginal cost (MR = MC) and profits are maximized.

Q5 (D): In Chamberlin's monopolistic competition theory, a "product group" is defined as a collection of diverse firms producing closely related but differentiated products (substitutes).

Q6 (C): Marginal cost (MC) is the change in total cost resulting from producing an additional unit of output (MC = dTC / dQ).

Q7 (D): A pure monopoly is a market structure characterized by a single seller (producer) and many buyers, with no close substitutes for the product.

Q8 (C): Monopolistic competition is characterized by many firms selling differentiated products. The beverage industry (with many brands of sodas, juices, etc.) is a classic example.

Q9 (D): Non-banking financial institutions act as financial intermediaries, facilitating the flow of funds between savers/lenders and borrowers/spenders without accepting traditional deposits.

Q10 (D): Microfinance institutions specialize in serving low-income individuals by providing small loans without requiring traditional collateral, often utilizing group lending (solidarity) models.

Q11 (B): Mercantilists aimed to maximize precious metal accumulation (gold/silver) by achieving a trade surplus. To do this, they strictly discouraged imports using tariffs and quotas.

Q12 (D): A trade deficit occurs when a nation's total value of imports of goods and services exceeds its total value of exports (Imports > Exports).

Q13 (B): Devaluation lowers the value of the domestic currency relative to foreign currencies. This makes imported products more expensive in local currency terms, while domestic exports become cheaper and more competitive abroad.

Q14 (A): Economic growth is a quantitative measure of output expansion (GDP growth). Economic development is a broader qualitative concept incorporating structural changes, reduction in poverty, and improvements in general living standards. Thus, growth can occur without development.

Q15 (D): The Human Development Index (HDI) is a composite index measuring achievements in three key dimensions: health (life expectancy), living standard (GNI per capita), and knowledge (represented by educational attainment indexes).

Q16 (B): One of the core strategic pillars of Ethiopia's Ten-Year Perspective Development Plan in the homegrown reform period is ensuring high-quality economic growth and shared prosperity.

Q17 (B): According to climate research and global indices, Africa and South Asia are identified as the two most vulnerable regions to the adverse effects of climate change due to low adaptive capacity.

Q18 (A): Climate change mitigation refers to policies and strategies (such as carbon taxes, promoting clean tech) designed to reduce greenhouse gas emissions and stabilize climate impacts.

Q19 (A): A green economy is defined as one that results in improved human well-being and social equity, while significantly reducing environmental risks and ecological scarcities (low carbon, resource efficient, socially inclusive).

Q20 (C): Ethiopia's primary climate-resilient green growth policy framework is the Climate Resilient Green Economy (CRGE) Strategy, launched to achieve middle-income status by 2025 while keeping emissions carbon-neutral.

Q21 (A): A primary critique of the HDI is its arbitrary assignment of equal weights (1/3) to its three dimensions, implying perfect and unrealistic trade-offs between lifespan, schooling, and income.

Q22 (A): Under the Millennium Development Goals (MDGs), Ethiopia achieved landmark successes in reducing extreme poverty and hunger (MDG 1), reducing child mortality (MDG 4), and environmental sustainability.

Q23 (D): Unlike the MDGs, which targeted developing nations primarily, the Sustainable Development Goals (SDGs) are universal in coverage, applying to both developed and developing countries.

Q24 (B): Responsible consumption and production is specifically designated as SDG 12, whereas the other options are part of the original 2015 MDG framework.

Q25 (A): A bi-modal agricultural strategy supports both peasant smallholders and large commercial farms. This dual-focus protects vulnerable smallholders from complete displacement or eviction.

Q26 (D): A leftward shift in aggregate supply is caused by an adverse supply shock, such as an increase in the prices of factors of production (input cost push).

Q27 (B): Pure public goods possess two distinct characteristics: non-rivalry in consumption (one person's use does not reduce availability for others) and non-excludability (it is impossible to exclude non-payers).

Q28 (D): Since public goods are non-excludable, free-riders cannot be prevented from consuming them. Consequently, their benefits cannot be directly priced in a competitive market.

Q29 (A): Externalities are reciprocal in nature, meaning the conflict or benefit arises because both parties choose to locate near each other or engage in incompatible activities.

Q30 (C): Asymmetric information creates an imbalance of power in transactions, where the party with superior information (usually the seller) can exploit the less-informed party (the buyer).

Q31 (C): Real product differentiation occurs when there are actual, physical, or measurable differences in product specifications and performance.

Q32 (D): In a collusive oligopoly (like a cartel), firms coordinate their pricing and output decisions to act collectively as a monopolist, setting a single monopoly price.

Q33 (B): The expenditure approach measures GDP by summing all final expenditures: GDP = C + I + G + (X - M). This directly captures government purchases (G) and net exports (X - M).

Q34 (C): The product (value-added) approach measures GDP by calculating and summing the value added at each sequential stage of production in the economy.

Q35 (A): Nominal GDP measures the value of all final goods and services produced in an economy using current-year market prices.

Q36 (D): High and rising costs of modern agricultural inputs (such as chemical fertilizers and improved hybrid seeds) represent a major challenge for Ethiopian smallholder farmers.

Q37 (D): Over the past two decades, the massive expansion of the service sector in Ethiopia has been primarily driven by wholesale and retail trade, transport, and communication.

Q38 (A): A sole proprietor has unlimited personal liability. If business assets are insufficient to cover outstanding liabilities, personal properties (such as a private home) can be legally seized and sold.

Q39 (C): The budget line represents the locus of different combinations of two commodities that a consumer can purchase, given their nominal income and the market prices of the goods.

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Q40 (B): An increase in the consumer's income (M), keeping prices constant, shifts the budget line parallel outward (upward), expanding the consumer's feasible consumption set.

Q41 (A): In a highly inflationary environment, stabilizing prices (which can appear as a controlled decrease in overall price levels of goods and services) is a desirable macroeconomic objective.

Q42 (C): Long-term, sustainable economic growth is structurally characterized by the shift of labor and GDP share away from low-productivity agriculture toward modern industry and services.

Q43 (D): While institutional quality, resource endowment, and labor productivity are fundamental structural drivers of wealth disparity, a country's absolute geographical location is generally not considered an insurmountable barrier.

Q44 (B): Household spending on home appliances (refrigerators, stoves) is classified as consumer expenditure on durable goods. Medical care, education, and haircuts are services.

Q45 (A): Real GDP is adjusted for inflation and uses constant base-year prices, meaning any change in real GDP strictly reflects changes in the physical quantities of goods and services produced.

Detailed Explanations: Economics (46 - 85)

Q46 (A): The principle of fiscal adequacy states that a government's tax structure must generate sufficient revenue to cover its public expenditures, avoiding structural reliance on deficit financing.

Q47 (C): Governments levy taxes and utilize fiscal revenues to achieve macro goals, including supporting export competitiveness and funding employment creation schemes.

Q48 (D): Excise taxes are selective consumption taxes levied on specific luxury, non-essential, or socially harmful commodities (such as luxury vehicles, tobacco, and alcohol).

Q49 (A): Tax avoidance is the legal manipulation of tax laws, deductions, and exemptions to minimize tax liability, unlike tax evasion, which is illegal non-compliance.

Q50 (D): The Gini Coefficient is a numerical measure of inequality calculated as the ratio of the area between the Lorenz curve and the 45-degree line of perfect equality to the total area under the 45-degree line.

Q51 (D): The GDP deflator is calculated as the ratio of Nominal GDP to Real GDP (multiplied by 100). Thus, Nominal GDP divided by Real GDP is equivalent to the deflator.

Q52 (C): Investment represents the purchase of capital goods. Increasing investment raises the national capital stock, boosting productive capacity and long-term economic growth.

Q53 (A): Since Income (Y) equals Consumption (C) plus Saving (S), positive saving ($S > 0$) occurs if and only if income exceeds consumption ($Y > C$).

Q54 (C): Economically, investment is defined as the allocation of resources to acquire capital goods that are not consumed in the present period but will be used to produce future wealth.

Q55 (A): According to Adam Smith, the ability of a country to produce a specific good at a lower absolute resource cost than its trading partner is called Absolute Cost Advantage.

Q56 (C): Modern agricultural strategies in Ethiopia prioritize expanding large and small-scale irrigation schemes to reduce reliance on rain-fed systems, alongside subsidized input financing.

Q57 (C): Macroeconomics deals with aggregate, economy-wide indicators. The causes, effects, and determination of inflation are core macroeconomic topics.

Q58 (B): Aggregate demand represents the total planned spending on all final goods and services produced within an economy at a given price level by households, firms, government, and net exports.

Q59 (A): In the short run, nominal wages are slow to adjust (sticky wages). When prices rise, real wages fall, making hiring more profitable for firms, which explains the upward slope of the short-run aggregate supply curve.

Q60 (B): Short-run macroeconomic market equilibrium is achieved at the price level where aggregate demand is equal to aggregate supply.

Q61 (B): The social responsibility argument asserts that businesses exist as social institutions and carry an inherent moral obligation to act in the interest of consumers and the community.

Q62 (A): If an economy faces deficient demand (a recessionary gap), expansionary fiscal policy—such as increasing government expenditure—should be implemented to stimulate demand.

Q63 (D): Income policies (such as wage and price controls) are directly implemented to suppress wage-push and cost-push inflation, stabilizing the general price level.

Q64 (B): When workers are paid less than their marginal revenue product, setting a statutory minimum wage protects them from exploitation and ensures equitable compensation.

Q65 (C): To be legally binding and effective, a price floor (minimum price) must be set above the market-clearing equilibrium price, which typically results in a market surplus.

Q66 (A): The Kuznets ratio is a direct metric measuring the ratio of income received by the richest households to that received by the poorest households.

Q67 (B): Despite global growth, extreme poverty remains highly concentrated and widespread across developing nations in Sub-Saharan Africa and parts of South Asia.

Q68 (A): Women disproportionately experience poverty due to systemic barriers that restrict their access to quality education, formal employment opportunities, asset ownership, and social security.

Q69 (B): Imperial Ethiopia's Third Five-Year Plan (1968-1973) shifted priority toward agricultural modernization by promoting large-scale commercial farming and peasant packages.

Q70 (C): Under the socialist reforms of 1975, the Derg nationalized all private commercial farms (converting them to state farms) and abolished feudal land tenancy.

Q71 (C): Under cardinal utility theory, a consumer maximizes utility for a single good when the marginal utility of the last unit consumed equals its market price: MUx = Px.

Q72 (D): The market demand curve is derived through the horizontal summation of all individual consumer demand curves at each price level.

Q73 (A): A market surplus (excess supply) occurs when, at a given price level, the quantity supplied by producers exceeds the quantity demanded by consumers.

Q74 (B): If supply remains constant, an outward shift (increase) in demand will lead to an increase in both the market-clearing equilibrium price and quantity.

Q75 (C): Capital-using (labor-saving) technical progress increases the marginal productivity of capital at a faster rate than the marginal productivity of labor.

Q76 (C): $TP = L^3 - 3L$.
At $L = 4$: $TP(4) = 4^3 - 3(4) = 64 - 12 = 52$.
At $L = 5$: $TP(5) = 5^3 - 3(5) = 125 - 15 = 110$.
Marginal Product: $MP = TP(5) - TP(4) = 110 - 52 = 58$.

Q77 (B): Total utility of the 3rd unit is calculated as: TU(3) = TU(2) + MU(3) = 24 + 7 = 31 (or TU(4) - MU(4) = 37 - 6 = 31).

Q78 (A): Real GDP Growth = [(Real GDP 2023 - Real GDP 2022) / Real GDP 2022] × 100 = [(19,550,000 - 18,600,000) / 18,600,000] × 100 = 5.11%.

Q79 (D): Labor Force = Employed + Unemployed = 25 million + 5 million = 30 million.
Labor Force Participation Rate = (Labor Force / Adult Population) × 100 = (30 / 80) × 100 = 37.5%.

Q80 (D): 2X + 3Y = 60 &implies; 3Y = -2X + 60 &implies; Y = (-2/3)X + 20. The slope of the budget line is given by -Px / Py = -2/3.

Q81 (B): A tariff is a direct customs duty or tax levied exclusively on imported commodities. Non-tariff barriers comprise administrative and quantitative restrictions like quotas.

Q82 (D): The Environmental Kuznets Curve states that environmental degradation initially rises as per capita income grows during industrialization, but eventually peaks and declines at higher income levels, forming an inverted-U pattern.

Q83 (B): Microfinance institutions specialize in supporting micro-entrepreneurs by providing credit (microloans) without requiring traditional physical collateral, often using social group guarantees.

Q84 (C): Achieving universal primary education is designated as MDG Goal 2, whereas the other options are part of the modern SDG agenda.

Q85 (D): The short run is defined as a production period over which at least one input factor (typically capital) remains fixed in quantity, while the long run allows all inputs to vary.