SWA Grade 12 Economics

Directions: each of the following questions is followed by four possible alternatives read each questions carefully and blacken the letter of your choice on the separate answer sheet provided.

1. One of the following was the result of trade liberalization in Ethiopia?
   A. Obtaining license and legal recognition was made difficult.
   B. Types of markets and market channels in both rural and urban areas were diversified.
   C. There was restriction in free mobility of food grains.
   D. The traditional private marketing systems has disappeared.
2. Fiscal decentralization wrongly mentioned in one of the following alternatives
   A. Provided fiscal decision making power to lower governments.
   B. Narrowing the vertical fiscal gap to ensure horizontal equalization.
   C. Draw budget subsides (regionals) from the federal government and borrow from international (foreign) financial institutions.
   D. Regional governments entitled to collect their revenues.
3. Why Ethiopia financial constitution ratified /assigning/ expenditure responsibilities and decision making power to the lower level of governments?
   Because of
   A. Economic power was concentrated in the hands of few government officials.
   B. System of government characterized by a high degree of centralization
   C. To increase the marginal tax rate

D. Citizens can easily monitor their actions and evaluate them constantly and timely.

4. Significant responsibility for the provision of basic services targetd to reduce poverty way of generating income and empowering the local people belongs to: _____

   A. Reginal governments and federal government
   B. Federal government
   C. Regional and Wereda administration
   D. Central government and Wereda administration

5. Which of the following is true about **consumption** and **saving** functions?
   A. Both consumption and saving are negatively related to income.
   B. Both consumption and saving are positively related to income
   C. Consumption is inversely related to income, while saving is directly related to income
   D. Consumption is directly related to income, while saving is inversely related to income

6. A portion of the capital goods used in the production process that wears out or used up in the current production process named as:-
   A. Depreciation C. rental income
   B. Indirect business taxes D. proprietor's income

7. If we add NFI (net – factor- income) on the GDP, we get
   A. NGDP B. real GDP C. CPI D. GNP

8. Unless the country's output increases, it is difficult to consider that the country's economic performance is improved positively indicated by: _____

   A. The higher the level of NGDP
   B. The lower the level of RGDP
   C. The equality between NGDP and RGDP
   D. The higher the volume of production and RGDP

9. Which one of the following is an example of **fiscal decentralization** in Ethiopia?

   A. Sharing revenues between regions and the central government
   B. Controlling regional government budget by the central government
   C. A delegation power
   D. Taxing regional governments

10. Which one of the following is correct statement about **saving, income** and **consumption**?

   A. Saving increases when income inequality reduced
   B. The increase income, leads to increase in consumption by equal proportion (equal balance)
   C. If income inequality increases, saving also increases
   D. The rate of increase in saving is lesser than the rate of the increase in income.

11. A "**Miser**" saves more than **Spendthrift**" directly related with:

   A. Saving is individual nature
   B. Saving in impossible to lower income earner

C. Saving is directly related with consumption

D. Saving is directly related with expenditure

12. When the size of the informal sector is too large, what will be the level of GDP?

A. Over stated B. Understated C. Constant D. Indeterminate

13. _____ are tariffs imposed on each unit imported or based on physical quantities

A. Compounded tariff C. Specific tariff

B. Ad valorem tariff D. Embargo tariff

14. Bill is drawn by _____

A. Creditor B. Debtor C. Agent D. Buyer

15. "**Derg**" and its **ownership** policy was not **wrongly** mentioned in one of the following choices?

A. Nationalization of wholesale and retailtrading enter prises, which were mainly owned the public sector.

B. Measure of nationalization did not stifled the rising participation of national entrepreneurs in all sectors

C. The participation of private organizations in domestic wholesale trading activities was very limited

D. Measurement of Nationalization recognized the rising participation of enterpreneours in all sectors.

16. "F**alse**" about letter of credit indicated by (L/C): it

A. Is crucial to exporters

B. Is crucial to importers

C. Is issued by the importer's bank

D. Is dominated mode of payment for imports in Eth. today.

17. Which of the following best explains house holds spending for consumption:

A. As personal income decreases consumption may increases (other things being constant)

B. As income tax increases, the level of disposable income may also increases (other thngs being constant)

C. As wealth decreases, consumption may increase (other things being remain constant)

D. Many young families have also higher spending for consumption than old families for they want to acquire durable goods

If the consumption function of a given individual is given as $C= 60+0.8y_d$ Birr. If the individuals disposable income for aspecific period was 10000 birr, based on this answer the following questions (18 -21)

18. The amount of automous consumption level determined in

A. 8000 birr B. 800 birr C. 60 birr D. 80,000 birr

19. **Induced consumption** and **total consumption** mentioned in _____ and _____ birr respectively.

A. (8000, 80,000) C. (8060, 8000)

B. (8000, 8060) D. (8060, 80000)

20. The level of saving is _____ birr

A. 2000 B. 1940 C. 9200 D. 800

21. **False** about autonomous consumption mentioned in

A. Independent of the income level

B. Increases with the increase in income

C. When income is zero, autonomous consumption cannot be zero

D. It canbe expressed with C= at 0.8x 0= a o (c= a)

22. **False** about induced consumption mentioned in

A. With an increase income, induced consumption also increases (but greater than the income increased)

B. Induced consumption varies with income varies

C. Consumption level increases with the increase income

D. As income increases, saving also increases ($s = y_d - c$)

23. To achieve **fiscal sustainability** government has been positively targeted at reducing the fiscal deficit by all of the following alternatives, **except**

A. Expansion of critical infrastructure

B. Increasing the number of zero – tariff related items

C. Broadening the tax base

D. Rationalizing public expenditure

24. A type of income tax **hurts** more those people with relatively high income brackets employed at:

A. Proportional income tax C. Compounded tax

B. Regressive income tax D. Progressive tax

25. Which of the following statements **best** describes the logical acceptability of investment?

A. As the real rate of interest increases, investment also increases

B. As the real rate of interest decreases, investment also decreases

C. Real rate of interest equals interest rate minus the inflation rate.

D. Unlike, investment, higher real interest rate discourage saving

26. **Business community** is **optimistic** and **pessimistic** on expected rate of return for investment truly indicated in one of the following choices?

A. The later state that, the business community expect highet rate of return from their investment (investment would increase) and the former stated the business community expect lower rate of return from their investment (investment would decrease)

B. The former stated that, the business community expect higher rate of returned from their investment (investment would increase) and the later stated that, the business community lower rate of return their investment (investment would decrease)

C. Inshort, higher expected rate of rturn discourages investment

D. Inshort, lower expected rate of return enourages investment

27. **GDP** will be counted irrespective of who owns that output means:

A. GDP attaches lesser emphasis to the one's territorial boundary (nationality is its concern)

B. GDP does not attaches to foreign company that currently produce the final product in Ethiopia.

C. GDP attaches to output that owned by Ethiopian Nationality /citizens/

D. Output that is owned by foreigners will be counted as part of the GDP of Ethiopia.

28. GNP attaches more emphasis to valves of final goods and services produced by all citizens of a country irrespective of where the citizen is residing means:

A. What is received by the Ethiopian worker from Saudi Arabia's residents is included in the Ethiopias GNP.

B. The value of roads built by a chinese company in Eth. Is not counted as part of the Chinese economy.

C. The valve of roads build by Chinese company in Eth is counted as a part of Ethiopian economy.

D. It is not measured (GNP) in the form of money received by the Chinese company from the Ethiopia government.

29. NFI > O meant.

A. GDP > GNP C. GNP= GDP

B. GDP < GNP D. GNP < GDP

30. "**Restriction**" the movement of food grans by private traders upgrade one of the following alternatives:

A. Pushing up the supplied amount in the market

B. Hindered the expansion of marketed supplied

C. Enhanced integrated national market

D. Motivated producers to supply huge amount of goods.