MILLENNIUM SECONDARY AND PREPARATORY SCHOOL 2012 E.C GRADE 12
ECONOMICS OPEN BOOK MODEL EXAM -ONE

Choose the best answer from the given alternatives

1. Shortage of financial resources has been one of the major bottlenecks of industrial development in Ethiopia. All are the responsible factors for the occurrence of this problem, except one.
   A. Failing of agricultural sector to generate the required surplus.
   B. The heavy reliance of most public enterprises on foreign exchange.
   C. The heavy dependence of most manufacturing industries on import raw-materials.
   D. The less collateral requirement by the formal lending institutions.
2. Which one of the following manufacturing sub-sector has relatively less import intensity?
   A. Food and beverage C. Iron and Steel
   B. Textile D. Motor vehicles
3. There are a number of problems that have constrained the growth of industrial sector in Ethiopia. Among these constraints, which one of the following is not market-related problem?
   A. Biasness of consumers against local product.
   B. Strong competition from cheap imports.
   C. Weak domestic demand for manufacturing output
   D. The use of labour intensive technology in manufacturing industries.
4. The most serious problem that has been facing the large- & medium scale manufacturing establishments of Ethiopia is:
   A. market-related problems
   B. the shortage of raw materials
   C. the absence of industrial discipline and work ethics.
   D. All except 'C'
5. With regard to industrial development strategy of Ethiopia, the promotion and execution of policies intended to attract industrial investment was/is very limited during:
   A. the military government C. the EPRDF government
   B. the imperial government D. the post-Derg
6. Labour productivity means:
   A. The value added per person employed
   B. The ratio of total value added to the number of people employed
   C. The total sum of value added at factor cost and indirect business taxes
   D. The difference between gross value of output and the value of intermediate inputs
   E. Choices A and B are correct answers
7. After the launching of new economic reform program by EPRDF government, the large-and medium-scale manufacturing industries were showed a significant improvements. However, during the 1990s the highest and lowest annual growth rate in terms of gross value of output were registered in _____ and _____industrial groups, respectively.
   A. metal and non-metal C. tobacco and metal
   B. metal and Tobacco D. food and textile
8. During the 1990s, in terms of value added annual growth rate, the highest was registered in _____ industrial group.
   A. Non- metal C. Chemical
   B. Food D. leather and shoes

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9. During the post-reform period of EPRDF government, the manufacturing has shown improvements in terms of gross value of output, value added and value added per person. All, **except** one, might be attributed to these improvements.
   A. Provision of incentives for profit by government.
   B. High protection against import of goods by government.
   C. Creation of relatively conducive environment for investment.
   D. The recovery of agricultural sector.
10. Which one of the following is false about the recent manufacturing industries sector of Ethiopia? In terms of:
   A. establishment, it is dominated by food & beverage, textile and non-metallic minerals.
   B. establishment, the large-& medium scale industries are far larger than the small-scale industries.
   C. the gross value of output, it is dominated by large-& medium scale industries.
   D. the number of persons engaged, the private sector has been becoming the dominate one.
11. All are the goals of industrial development strategies of EPRDF government, except one. Which one?
   A. Creating an appropriate financial environment.
   B. Expanding the domestic market for industrial products.
   C. Promoting industrial exports.
   D. Limiting importation of industrial products.
12. The manufacturing sector of Ethiopia is dominated by food and beverage and textile manufacturing sub-sectors. This is mainly attributed to the:
   A. Availability of domestic market for these products.
   B. Government incentives for these sub-sectors.
   C. Tax incentive for these products.
   D. Government policy that promote the expansion of these products.
13. In terms of establishments, about 37% of large- & medium-scale manufacturing industries of Ethiopia are concentrated:
   A. In Addis Ababa and Oromiya
   B. In other regions, excluding Addis Ababa and Oromiya
   C. In Oromiya and Amhara regions
   D. Addis Ababa and Tigray
14. In the early of 1990's, the EPRDF government undertook a public enterprises reform program. What was the main aim of this reform? To enhance efficiency, productivity and competitiveness:
   A. in public enterprises C. in small – scale manufacturing industry
   B. in private enterprises D. of employer who work in private enterprises
15. To measure the performance of industrial sector through value added at factor cost, you should deduct the value of _____ from gross value output.
   A. business taxes C. intermediate goods
   B. subsidies D. direct taxes
16. Let us assume that the value added of the manufacturing sub-sectors during year X is 864,000,000 and the total industrial employment in those manufacturing sub-sectors during the same year is 446,000. What will be the value added per person employed?
   A. 1637.2 B. 1737.2 C. 1937.2 D. 2937.2
17. The total cost (TC) of producing sports shoes (Q) is given as: TC = 200 +5Q. What is the variable cost?
   A. 5Q B. 5 C. 5 + 200/Q D. 200

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18. The price charged by a perfectly competitive firm is
    A. higher the more the firm produces.
    B. different than the price charged by competing firms.
    C. the same as the market price.
    D. indeterminate.
    E. lower the more the firm produces.
19 In a perfectly competitive market, the type of decision a firm has to make is different in the short run than in the long run. Which of the following is an example of a perfectly competitive firm's short-run decision?
    A. the profit-maximizing level of output
    B. whether or not to change its plant size
    C. how much to spend on advertising and sales promotion
    D. what price to charge buyers for the product
    E. whether or not to enter or exit an industry

20. A single-price monopoly has marginal revenue and marginal cost equal to $19 at 15 units of output where the price on the demand curve is $38. At this output, average total cost is $15. What is the total profit earned?
    A. $225 B. $570 C. $19 D. $285 E. $345
21. A profit-maximizing output for a single-price monopoly is determined by the intersection of the _____ curves and the profit-maximizing price is found on the _____ curve.
    A. total revenue and total cost, total revenue
    B. marginal cost and marginal revenue; marginal revenue
    C. demand and supply; supply
    D. marginal cost and marginal revenue; demand
    E. marginal cost and average total cost; demand
22. Which of the following is true about monopolistic competition but false about perfect competition?
    A. Firms can earn an economic profit in the short run.
    B. There are a large number of independently acting sellers.
    C. There are no barriers to entry.
    D. Firms compete on their product's price as well as its quality and marketing.
    E. Firms cannot earn an economic profit in the long run.
23. What does monopolistic competition have in common with monopoly?
    A. mutual interdependence
    B. the ability to collude with respect to price
    C. a large number of firms
    D. a downward-sloping demand curve
    E. barriers to entry
24. What is the difference between perfect competition and monopolistic competition?
    A. Perfect competition has a large number of small firms while monopolistic competition does not.
    B. In monopolistic competition, firms produce identical goods, while in perfect competition, firms produce slightly different goods.
    C. Perfect competition has no barriers to entry, while monopolistic competition does.
    D. In perfect competition, firms produce identical goods, while in monopolistic competition, firms produce slightly different goods.
    E. Perfect competition has barriers to entry while monopolistic competition does not.

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25. When oligopolies seek to operate as a single-price monopoly, the firms produce at the point where:
    A. MR = MC.
    B. P = MR
    C. P < ATC.
    D. P = MC.
    E. MC = ATC
26. A cartel is
    A. a market structure with a large number of small firms.
    B. a market with only two firms.
    C. a group of firms acting together to raise price, decrease output, and increase economic profit.
    D. a market structure with a small number of large firms.
    E. another name for an oligopoly
27. Herb's Inc. has a large share of its market and is tempted to collude with the few firms that are in its market. Herb's operates in
    A. a perfectly competitive market.
    B. collusively protected market.
    C. a monopoly market.
    D. a monopolistically competitive market.
    E. an oligopoly
28. When firms in monopolistic competition are making an economic profit, firms will
    A. enter the industry, and demand will decrease for the original firms.
    B. exit the industry, and demand will increase for the firms that remain.
    C. enter the industry and then will exit the industry.
    D. enter the industry, and demand will increase for the original firms.
    E. exit the industry, and demand will decrease for the firms that remain.
29. In monopolistic competition there are _____ barriers to entry, so therefore in the long run, economic profit _____.
    A. no; is substantial
    B. many; equals zero
    C. no; equals zero
    D. many; is substantial
    E. many; might be earned depending on the degree of product differentiation
30. One of the following is **false** regarding the history of trade in Ethiopia. Which one?
    A. Trade was commenced during the emperor Menilik for the first time.
    B. Construction of Djibouti-Addis Ababa Railway gave impetus for the commencement of modern trade.
    C. At the beginning, almost all of the modern shops were owned and run by foreign nationals.
    D. During the *Derg* regime the whole trade system were managed by government.
31. International trade is mainly different from domestic trade in furnishing citizens with:
    A. more jobs opportunities.
    B. providing goods and services that cannot be produced domestically.
    C. diffusion of knowledge and culture.
    D. specialized production of goods and services.
32. A nation is said to have a comparative advantage in production of given good over another nation if:
    A. a sole producer of good due to different factors.
    B. it can produce the good more cheaply than others.
    C. it produces the good most effectively and efficiently.
    D. it has the least absolute advantage in production of the good than other.

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33. Ad valorem tariff is imposed on the basis of:
    A. physical quantities of the product
    B. unit of imported quantities of the product.
    C. both quantities and values of the product.
    D. price of the product.
34. The most commonly used mode of payment for imported goods in Ethiopian currently is_____.
    A. Banker's transfer
    B. Bill of exchange
    C. Exchange rate control
    D. Letter of credit
35. One does not characterize the domestic trade policies and strategies of the *Derg* government. Which one?
    A. Restriction of food grain movement from region to region by private traders.
    B. The wholesale and retail trading activities were mainly carried out by government's corporations and enterprises.
    C. Participation of the private organizations in domestic retail trading was totally limited.
    D. Government hand in determination of price of the commodities was huge.
36. The *Derg* government discouraged the participation of private sector in trading activities by using different measures. To this effect, all measures were employed by government, **except** one. Which one?
    A. Imposing capital ceiling.
    B. Allowing licensing only to private corporates.
    C. Prohibiting branch establishment of business.
    D. Prohibiting government employees to get license in trading.
37. One is **not** recorded on current account balance of balance of payment. Which one?
    A. The value of flow of goods
    B. The value of flow of service
    C. the value of direct investment
    D. unilateral transfer
38. What kind of measure do you recommend if a country faces a deficit in trade balance under a fixed exchange rate system? The country should:
    A. devaluation of currency
    B. revaluation of currency
    C. appreciation of currency
    D. increasing the value of currency
39. One is considered as the opportunity created by globalization rather than its challenges. Which one?
    A. Complete vulnerability of domestic economy to external shock.
    B. Loss of the sovereignty of the government.
    C. Providing badly needed investment capital.
    D. Trigger competitive devaluation and unproductive competition.
40. Of listed goods, for which one Ethiopia spends the largest amount of money in importing?
    A. Fuel
    B. Consumer goods
    C. Semi-finished goods
    D. Capital goods
41. As far as export destination and origin of imports are considered, _____ &_____ are the major trade partners of Ethiopia.
    A. China and Germany
    B. Germany and China
    C. The Netherlands and Saudi Arabia
    D. China and UAE
42. During the Derg regime, the Ethiopia domestic distribution corporation (EDDC) was responsible for:
    A. wholesale trade in manufactured products.
    B. wholesale trade in agriculture product.
    C. retail trade in manufactured product.
    D. retail trade in agricultural product.

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43. One of the following is false about recurrent budget expenditure of Ethiopia. Which one?
    A. It is mainly financed from domestic revenue sources.
    B. It is mainly financed by external loans and grants.
    C. It is structured under four functional categories.
    D. Transfer payment and repayment of public debt are treated under recurrent account.
44. Pertaining to fiscal decentralization, the regional governments of Ethiopia are **not** entitled to:
    A. making fiscal and monetary policies.
    B. levy taxes.
    C. preparing and administering their own budget.
    D. collecting their defined revenue and draw budget subsidies.
45. Identify the odd one
    A. Withholding tax C. Tax on dividend
    B. Stump duty D. Turnovertax
46. Ethiopia's foreign earnings mainly come from exporting of:
    A. coffee, oilseed & pulse, chat and flower
    B. coffee, gold, leather and leather product
    C. coffee, meat and meat product and chat
    D. coffee, live animals, fruits and vegetables
47. Among the given options, one is the ultimate goal of macroeconomics policy. Which one?
    A. Achieving maximum feasible output
    B. Reducing unemployment to zero
    C. Enhancing inequitable distribution of income and wealth
    D. Eradicating deficit balance of payment
48. All are included under the fundamental concern area of macroeconomics, Except.
    A. National Income C. Distribution of Wealth and income
    B. Employment D. General price level
    E. Individual decision making of economic unit
49. In the phase of business cycle, which one characterize contraction or recession phase?
    A. Reduced in investment, employment and fall in income
    B. Investment, employment, output, income and price are found at lowest
    C. Investment, employment, output, income and price move upward.
    D. Rise in price, investment and employment
50. The type of unemployment which is caused due to business cycle is:
    A. Frictional unemployment C. cyclical unemployment
    B. Structural unemployment D. seasonal unemployment
51. Which one is an example of indirect tax?
    A. Stamps & duty tax C. Business income tax
    B. Land-use fees and leases D. tax on lottery winning
52. All are considered as negative impact of inflation on economic growth, Except.
    A. Price-wages spiral C. Saving will be hindered
    B. Self-liquidation of inflation D. Economic planning will be curtailed
53. Demand –pull inflation is caused due to:
    A. Rising cost of production C. Setback in production
    B. Increasing in money supply D. Slack resource utilization
54. All are the constituents of capital revenue of the government, Except.
    A. Counterpart fund C. Sale of government assets
    B. Collection of loans D. Charge and fees

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55. Which of the following is not included in the objectives of government budget?
    A. Enhancing economic growth C. To manage public enterprise
    B. Maintaining price instability D. to reallocate resources
56. One is false about GDP. Which one?
    A. GDP includes the values of existing goods
    B. GDP measures the monetary values of goods and services in a year
    C. GDP is an aggregate measure
    D. The values of intermediate goods exclude from GDP.
57. What is the main distinction that exists between GDP and GNP?
    A. GDP includes the income from abroad whereas GNP excludes it
    B. GDP is limited to the geographical boundary of a country whereas GNP includes the values that produced by citizens without limited to geographical boundary.
    C. GDP includes the values of barter system while GNP excludes it.
    D. GDP avoids the problems of double counting while GNP is not.
58. All are the practical problems associated with measuring national income through GDP, Except.
    A. Non-availability of data C. Production for self-consumption
    B. Barter system D. Maintenance of accounts
59. In order to compute net domestic product at market price (NDP_{mp}), we exclude_____from GDP.
    A. Personal income C. Depreciation
    B. Net factor income D. Indirect income
60. The total sum of personal income, corporate tax, undistributed profit and all types of transfer income is called:
    A. Personal disposable income C. Net national product at factor cost
    B. National income D. Net national product at market price
61. Which one of the following should be excluded from GDP?
    A. Rent received from apartment
    B. Social security payment
    C. Income of dentist
    D. Value of production for self-consumption
62. Which of the following is wrong about marginal propensity to consume?
    A. It is always greater than zero but less than one
    B. It falls with increase in income
    C. MPC of rich class is higher than those of the poor classes
    D. MPC is stable in the short run.
63. The sum of marginal propensity to consume and marginal propensity to save is always_____.
    A. Unitary B. Zero C. Greater than one D. Between zero and one
64. Which one is false about saving?
    A. Saving increases more when income equality exist
    B. Saving increases as income increases.
    C. There is inverse relationship between saving and rate of interest.
    D. There is direct relationship between saving and level of direct taxes.
65. If average propensity to consume is 0.45, then average propensity to save is:
    A. 0.3 B. 1.45 C. 0.55 D. 0.40

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66. Which statement is false?
    A. During imperial period large and medium scale were encouraged where as small scales and cottage industries neglected.
    B. During Derg small scale industries encouraged where as large and medium public industries discouraged.
    C. Import substitution industrial strategy followed by both imperial and Derg governments.
    D. TGE introduced SAP in 1992 and aimed at enhancing efficiency, productivity and competitiveness enterprises.

67. According to the Ethiopian National Income Account's classification, which one is not part of distributive services?
    A. Trade C. Transport and communication
    B. Hotel and restaurant D. Public administration

68. Among the listed options, which one became the education policy objective and directive of the Military government?
    A. Education for socialist consciousness
    B. Education for production
    C. Education for all
    D. Education for science and research

69. The EPRDF Government introduced the National Education and Training Policy strategy in 1993/94. This policy strategy was launched to overcome the problems of:
    A. gender disparity in education
    B. quality, quantity and efficiency in education
    C. educational material supply
    D. uneven distribution of education institution

70. When was the modern formal education started in Ethiopia?
    A. In the first decade of 19^{th}C C. In the first decade of 20^{th}C
    B. In the 1950's D. In the Mid of 19^{th}C

71. Among sub-sectors of service sector, which one does not have or less contribution to foreign exchange of the country?
    A. Health C. Communication
    B. Tourism D. Insurance and Financial services

72. Diving service sector by considering provision of activities that involve education or training is known as:
    A. Physical activities C. Intangible activities
    B. Aesthetic activities D. intellectual activities

73. From 2008/09 and thereafter the leading sector in terms of output contribution to the national GDP is Ethiopia is:
    A. Service sector C. Industry sector
    B. Agricultural sector D. Manufacturing sector

74. From the following one is not a noticeable export trade opportunity for Ethiopia product currently.
    A. Textile product to USA C. Sugar to European
    B. Cotton to Sudan D. Flower to Netherland

75. Which of the following industrial groups have high foreign exchange contribution?
    A. Food and beverage , non-metal, leather and footwear
    B. Textile, food and beverage, leather and footwear.
    C. Food and beverage, non-metal, paper and printing.
    D. None of the above

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76. Which of the following is not true statement about industrialization?
    A. Industrialization is sustained process rather than sudden occurrence.
    B. Manufacturing sector has more a dynamic role in industrialization than other sub-sector.
    C. Industrialization brings about transformation from capital intensive to labour intensive.
    D. Industrialization requires the application of modern science and technology.
77. Which of the following true statement regarding industrial sector.
    A. Industrial sector has forward linkage with market of its product.
    B. Industrial sector has negative backward linkage with agriculture in demanding of raw material (resource market)
    C. Industrial sector has externalities in supplying production.
    D. Industrial sector has positive externalities in consuming agriculture.
78. During imperial period even though several incentive given the performance of industrial were poor mainly because:
    A. Poor raw materials
    B. Poor infrastructure
    C. Lack of skilled manpower
    D. Lack of capital
79. Which one of the following factor of industrial sector problem is not related to market:
    A. Strong competition with cheap exports.
    B. Excess information about local and export markets.
    C. Consumer bias against export products.
    D. Weak demand for manufacturing products.
80. As it can be depicted in circular flow diagram, which of the following would **not** be determined in the resource market?
    A. Salary or wage of the workers
    B. Price of 100 hectares of farmland.
    C. Price machinery used in bottling plant.
    D. Price of a new pair of shoes.

81. All of the following can be illustrated by Production Possibility Curve, **except** one. Which one?
    A. Scarcity of resources
    B. Choice among production of output
    C. Opportunity cost of production of goods
    D. Unfixed resources and technology.

82. Which one of the following is mainly considered normative statement rather than positive statement?
    A. The current interest rates adopted by Ethiopian government are too high.
    B. Other things being equal, there is inverse relation between inflation and increasing bank rate.
    C. Unemployment causes an increasing in poverty.
    D. Other things remain constant, as price of a good decrease purchasing power of a consumer rises.
83. All of the following characterize the features of socialist economic system, **except** one. Which one?
    A. Rapid industrialization and raising the living standard of the weaker section of society.
    B. Controlling overall economic activities by the government.
    C. The principle of consumer sovereignty is highly enhanced.
    D. Greater equality in income distribution is greatly achieved.

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84. If income increases or the price of a complement good falls,
   A. the supply curve of a normal good shifts leftward.
   B. the supply curve of a normal good shifts rightward.
   C. the demand curve for a normal good shifts rightward.
   D. the demand curve for a normal good shifts leftward.

85. When economists speak of preferences as influencing demand, they are referring to
   A. the availability of a good to all income classes.
   B. directly observable changes in prices and income.
   C. the excess of wants over the available supplies.
   D. an individual's attitudes toward goods and services.

86. If, at specific price, quantity demanded is greater than the quantity supplied, then the price will:
   A. increase until the excess supply is eliminated
   B. decrease until the excess supply is eliminated
   C. increase until the excess demand is eliminated
   D. decrease until the excess demand is eliminated

87. When demand for a given good is **elastic**:
   A. price and total revenue move to the same direction.
   B. price and total revenue move to different direction.
   C. total revenue is unchanged regardless of rice change
   D. quantity and total revenue move to same direction.

88. Consumers usually buy more of a good, **except**, when:
   A. price of the good is lower.
   B. their incomes are higher.
   C. the price of the substitutes for the good is higher.
   D. the price of the complements of the good is higher.

89. The law of demand states that
   A. a decrease in the price of a good shifts the demand curve leftward.
   B. other things remaining the same, the higher the price of a good, the smaller is the quantity demanded.
   C. other thing remaining the same, the higher the price of a good, the larger is the quantity demanded.
   D. an increase in the price of a good shifts the demand curve leftward.

90. Both demand and supply for a given good decrease (both demand curve and supply curve shift to leftwards) and then, which one of the following is **true**?
   A. If the proportionate decrease in demand is greater than the proportionate decrease in supply the equilibrium price will rise.
   B. If the proportionate decrease in demand is greater than the proportionate decrease in supply the equilibrium price will fall.
   C. If the proportionate decrease in supply is greater than the proportionate decrease in demand the equilibrium price will fall.
   D. If the proportionate decrease in demand is greater than the proportionate decrease in supply the equilibrium quantity will rise.

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91. The quantity demanded for good A was originally 60 units and income of the consumer was Birr 4000. When income of the consumer is increased to Birr 4400, the quantity demanded of good A is fell by 10%, then which one of the following is **true**? The coefficient of income elasticity is:
    A. unitary positive and the good A is normal.
    B. unitary negative and the good A is inferior good.
    C. unitary negative and the good A is superior good.
    D. -0.66 and the good A is inferior good.

92. Of listed options, one is inconsistent with the properties of isoquant. Which one?

    A. Isoquants never touch or intersect each other
    B. Isoquant has negative slope
    C. Isoquant is convex to the origin
    D. Two isoquants represent the same level of output

93. In short-run production function with one variable input, which one is not true about stage of production?
    A. In stage II, marginal product starts to decrease and eventually becomes zero.
    B. In stage I, average product increases throughout of the stage.
    C. In stage III, marginal product declines but it is still positive.
    D. In stage II, average product declines throughout of the stage but it is positive.

94. The actual payment made by a firm for the purchasing of factor-services from factor owners or other firms is known as:
    A. Implicit cost
    B. Economic cost
    C. Explicit cost
    D. Social cost

95. All are considered as costs which are incurred for purchasing variable inputs, Except.
    A. Expenditure incurred for raw materials
    B. Wage and salaries of permanent workers
    C. Taxes such as excise duties
    D. Operational expenses like electricity

96. In short-run, marginal cost increases, then:
    A. Average costs decreases
    B. Average product increases
    C. Marginal product decreases
    D. Marginal product increases

97. A consumer purchases two goods, food and clothing. He has the utility function $U(x, y) = XY$, where X denotes the amount of food consumed and Y the amount of clothing. His marginal utilities are $MUx = Y$ and $MUy = X$. Now suppose that he has an income of $72 per week and that the price of clothing is Py = $1 per unit. Suppose that the price of food is initially per unit P_x = $9, the which one following is **not true**?
    A. The consumer maximizes his utility when he consumes 4 units of X and 36 units of Y.
    B. When the price X decreases to $4 per unit, the budget line moves inwards for the consumer.
    C. When the price of Y increases with same percentage by which price of X decreases, then, the budget line remained unchanged.
    D. When the price X decreases to $4 per unit, the quantities of X and Y that maximize utility for the consumer are 9 and 36 units respectively.

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98. As one of its main property, isoquant is convex to the origin. This is due to the principle of:
   A. diminishing marginal rate of technical substitution.
   B. diminishing marginal rate of utility.
   C. diminishing return to scale.
   D. diminishing marginal rate substitution.

99. Suppose that a consumer's income (I) is double and that prices (good X and Price good Y) of both goods in basket also are doubled with the same proportion. What is the effect of these changes on budget line of the consumer?
   A. The budget line moves inwards
   B. The budget line moves outwards
   C. The budget line remains unchanged.
   D. Both the income and price consumption curves extend.

100. In short-run, perfectly competitive firm shut-down its operation of production if the revenue he/she obtains from producing is less than his/her _____.
   A. total cost C. average variable cost
   B. average total cost D. fixed total cost

101. When firms add workers and find that the additional workers add less to output than their predecessors did, they are experiencing _____.
   A. The division of labor C. Diminishing returns
   B. The law of large numbers D. Diminishing marginal utility

102. With consideration short-run production period, which one of the following describes **wrong** relationship?
   A. Average variable cost and average product are inversely related.
   B. When average cost is minimum, marginal cost equals to average cost
   C. When average product is at maximum, average variable cost is at minimum.
   D. When the marginal product curve intersects the average product curve, average product curve is at minimum.

103. Suppose that a firm employed two inputs (Labor and Capital) and both are variable, the economic region of production is represented by:
   A. the positively sloped portions of the isoquants.
   B. the negatively sloped portion of the isoquants.
   C. the negative marginal product of inputs.
   D. the outside of the region bounded by ridge lines.

104. Suppose the production function is given by the following equation (where *a* and *b* are positive constants): $Q = aL + bK$. What is the marginal rate of technical substitution of labour for capital ($MRTS_{L,K}$) at any point along an isoquant?
   A. $aL^2 + bk^2$ B. $\frac{a+bk}{aL+K}$ C. $\frac{aL+K}{a+bK}$ D. 2aL +2bk

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105. Suppose that the hypothetical economy of given year for a country has the following variables as they are measured in $ million figure. Compensation for employees =20,000, Rental income = 10,000, interest income =15,000, Proprietor's income =25, 000, the value of depreciation =5,000, indirect business taxes =4,000 and the net factor income from abroad = 2,000. Based on the given data, the value of Net National Product at Factor Cost (NNP_{FC}) is_____ million.

A. 81,000 B. 76, 000 C. 72,000 D. 79,000

106. Based on the above data (question 38), what is the value of personal income if the sum of corporate taxes and undistributed profit is 18,000 million and the value of all transfer income is 12,000 million? _____ million

A. 66,000 B. 56, 000 C. 60,000 D. 54,000

107. If all inputs are increased by a factor of *p* & output goes up by a factor of z then, in general, a producer experiences, **Except** one. Which one?

A. Increasing return to scale if Z > P; output goes up proportionately more than the inputs increases
B. Constant return to scale if P = Z; output goes up by the same proportionate as the increase in inputs.
C. Decreasing return to scale if P > Z; output goes up proportionately less than the increases in inputs
D. Increasing return to scale if Z < P; output goes up proportionately more than the inputs increases

108. Suppose that the market demand for aluminium in a given country is given by the equation, $Q_d = 600 – 50p$, where P is the price of aluminium expressed in dollar per kilogram and the market supply for aluminium is given by the equation, $Q_s = -400 + 50P$, and if the government wants to adopt price – floor policy and increases the price of aluminium by 20% per kilogram from equilibrium price, and then which one of the following is false?

A. The market surplus for the aluminium is 200kg.
B. The market demand for aluminium is decreased by 100kg.
C. The market demand for aluminium becomes zero.
D. The market supply for aluminium is increased by 20%.

109. If the price of good X is increased from Birr 40 per unit to Birr 60 per unit and the quantity demand for good Y is decreased by 40%, then which of the following is **true** about good X and good Y?

A. The goods are substitute goods.
B. The goods are complementary goods.
C. The coefficient of the cross elasticity of demand is positive.
D. The coefficient of the cross elasticity of demand is 1.25.

MILLENNIUM SCHOOL OPEN EXAM - ONE

110. Mr. A purchases food (measured by *x*) and clothing (measured by *y*) and has the utility function,
U(*x*, *y*) = *xy*. His marginal utilities are *MUx* = *y* and *MUy* = *x*. He has a monthly income of $800. The price of food is *Px* = $20, and the price of clothing is *Py* = $40. Find Mr.A's optimal consumption bundle.
A. 20 units of food and 40 units of clothing.
B. 10 units of food and 20 units of clothing.
C. 20 unit of food and 10 units of clothing.
D. 40 units of food and 20 units of clothing.

111. Suppose that the linear equation for consumption in a hypothetical economy is C = 100 + 0.6y. Also suppose the income (y) is Birr 4000. Then, which of the following is **true**?
A. The marginal propensity to consume is 0.4.
B. The marginal propensity to save is 0.6.
C. The level of saving is Birr 1600.
D. The level of induced consumption is Birr 2500.

112. Suppose that the price index was 100 last year and is 110 this year and the nominal GDP of this year is $100 billion for a given country, then what will be the Real GDP of the country? $ _____ billion.
A. 100 B. 91 C. 83 D. 99

113. Which of the following is **wrong** about marginal propensity to save?
A. It is always greater than zero but less than one
B. It falls with increase in income
C. MPS of rich class is higher than those of the poor classes
D. MPS increases as income rises.

114. Among the transport sector, which sub-sector is recently achieved more desirable financial performance?
A. The Ethiopian Airlines C. Railway Transport
B. The Ethiopian Shipping lines D. The Road Transport

115. In terms of foreign exchange contribution of the manufacturing industrial sector, which establishment contribute the largest?
A. Food & beverage, chemical and non-metal
B. Food & beverage, textile and leather & footwear
C. Textile, leather & footwear and wood & furniture
D. Food &beverage, metal and non-metal

116. According to central statistical authority (CSA), all of the followings is used, **Except** one, as criteria to categorize manufacturing enterprises as large-and medium-scale, small-scale industry and cottage/handcrafts. Which one?
A. Number of persons employed in the enterprise
B. Use or non-use of power-driven machinery
C. Amount of fixed capital that the enterprise has
D. Use of manually-driven machines

MILLENNIUM SCHOOL OPEN EXAM - ONE

117. With consideration of regime and industrial development strategies, which one is wrongly associated?

A. Imperial regime – Discouraging imported goods
B. Derg regime – support small- scale industrial enterprises
C. EPRDF regime – dismantled public enterprises
D. The last regime of Derg – encourage export of industrial goods

118. From listed problems that debilitate the productivity of agriculture in Ethiopia, which one is more related to anthropogenic activities rather than natural factor?

A. Recurrent drought
B. Ruggedness of topography
C. Unreliable and erratic rainfall
D. Erosion and land degradation

119. Let's consider country X and country Y. Both produce wheat and coffee. Assume that country X's production of wheat and coffee of one labour in one day is 20 units and 16 units respectively. However, the Country Y's production of wheat and coffee one labour in per day is 16 units and 12 units respectively. Then, which of the following is **not true** if unit cost of production is the same for both country.

A. Country X has absolute advantage in production of both goods.
B. Country X has comparative advantage in production of wheat.
C. Country Y has absolute advantage in production of coffee.
D. Country X is more efficient in production of wheat.

120. The slope of the total variable cost curve equals to _____.

A. Marginal Physical product
B. Marginal cost
C. Average product cost
D. Average cost

121. In the long run, the economic profit of a firm in competitive market will be_____.

A. Below Zero B. Zero C. above zero D. above, below and equal to zero

122. Economies of scale occur when the average total cost of production _____ as output _____.

A. decreases , decreases
B. decreases, increases
C. increase, increase
D. remain constant, increases

123. One of the following costs can reasonably stand for an implicit cost for a firm.

A. Wage of labor
B. Costs of raw material
C. Rent of building
D. Wage forgone by the owner of the firm

124. If the cross price elasticity of demand between two commodities X and Y is negative, then X and Y are:

A. Substitute goods B. Normal goods C. Complimentary goods D. inferior goods

125. Let say your country is currently facing the problem of deficient demand, that is, depression marked by overproduction, a rise in unemployment, and a fall in price and income. As a policy adviser, what kind of policy do you recommend your government to overcome this problem?

A. Increasing expenditure by government
B. Increasing taxes
C. Reducing expenditure by government
D. Increasing public borrowing by government.

MILLENNIUM SCHOOL OPEN EXAM - ONE

126. All are policy instruments that are used in contractionary monetary policy, except one. Which one?
   A. Increasing cash-reserve ratio.
   B. Increasing bank interest rate
   C. Reducing cash-reserve ratio
   D. Selling of government securities

127. In which regime, discriminatory lending rate was/is highly employed in financial sector? During the_____.
   A. Derg
   B. Imperial
   C. EPRDF
   D. all regime

128. All, but one is not the main component of structural adjustment program (SAP) of Ethiopia. Which one?
   A. Expenditure reduction policy
   B. Expenditure switching policy
   C. Institutional policy reform
   D. Expenditure increasing policy

129. All are treated as components of Agriculture Development-Led Industrialization (ADLI) of the current main development strategy of Ethiopia, **Except**.
   A. Ensuring accelerated economic growth through rural-centred development strategy.
   B. Ensuring accelerated economic growth through improving living standard of urban dwellers.
   C. Adopting an efficient and effective education strategy.
   D. Pursuing preventive and primary health care strategy by limiting the participation of private entrepreneurs.

130. Of listed options, one is more considered as the limitation of bi-modal strategy of agriculture-development pathway. Which one?
   A. It focuses only on production of food crops
   B. It does not improve shortage of knowledge and infrastructure
   C. It creates differentiation in the rural society.
   D. It lacks of on-farm job opportunity.

131. All characterize the *backward linkage* of agricultural sector to industrial sector, **Except** one.
   A. Supply of modern inputs and technologies to agricultural sector
   B. Improving the level of income received by rural people
   C. Increasing the purchasing capacity for manufactured goods.
   D. Provision of raw material to industrial sector.

132. One of the following is false about fruits, vegetables and flower production in Ethiopia. Which one?
   A. They have been the fast-growing export business in recent time.
   B. The major trade partner for Ethiopia's fruit and vegetables is Saudi Arabia.
   C. The total area under vegetable crops is greater than the area under fruit crop.
   D. Vegetables are cultivated by more farmers than fruits.

MILLENNIUM SCHOOL OPEN EXAM - ONE

133. All will cause increasing the supply of good Y, Except one. Which one?

A. Technological improvement in the production of good Y
B. A situation in which quantity demanded exceeds quantity supplied
C. An increase in cost of machinery used to produce good Y
D. A decrease the wages of workers employed to produce good Y

134. Two goods are said to be complementary goods when:
A. the coefficient of their cross elasticity of demand is positive
B. the coefficient of their cross elasticity of demand is negative
C. the demand for one rises when the price of the other increases
D. the demand for one falls when the price of other decreases.

135. The price elasticity of demand tend to be perfectly elastic when the linear demand curve is:
A. Flat C. horizontal
B. Vertical D. steep

136. The price above equilibrium price results in:
A. further price rise C. a shortage of a commodity
B. excess demand D. a surplus of a commodity

137. The positively sloped portions of long-run average cost curve represents:
A. economies of scale C. diseconomies of scale
B. constant return to scale D. excess capacity

138. Which one of the following is **true** about economic region of production?
A. The efficient range is represented by the negative marginal product of inputs.
B. The negatively sloped portions of isoquant represent the efficient range of production.
C. The positively sloped portions of isoquant represent the efficient range of production.
D. The inefficient range is represented by the positive marginal product of inputs.

139. Which one of the following is inconsistent with the definition of industrialization? Industrialization:
A. is a sustained process
B. requires the wide application of modern science and technology
C. brings a structural transformation in composition of output and pattern of employment.
D. is abrupt process of structural transformation of the national economy.

140. Which of the following is different from the rest?
A. Oil seeds B. Chat C. Sugarcane D. Coffee

141. The type of unemployment which is caused due to relocation of labour is:
A. Frictional unemployment C. cyclical unemployment
B. Structural unemployment D. seasonal unemployment

142. All of the following are unique to the agricultural sector policies of the military government, Except one.

A. Establishment and development of package projects
B. Prohibition of private sector
C. Involuntary collectivisation of peasant
D. Forced villagization and settlement

MILLENNIUM SCHOOL OPEN EXAM - ONE

143. Which one is not treated under the ordinary revenue part of the government?

A. Foreign trade tax
B. Service sale taxes
C. External assistance
D. Charges, fees and fines

144. Let us say you are assumed agricultural policy maker of Ethiopia. So, what do you recommend to mitigate the problems that affecting the agricultural sector of Ethiopia?

A. Promoting rain water harvesting
B. Enhancing large-scale public investment in agriculture.
C. Adopting restriction policy on importation of agriculture products
D. Giving a great focus on the production of strategic crops which have a great value in foreign exchange.

145. In connection with industrial development strategy, the military and imperial governments were similar:

A. in adopting export-promotion policy
B. in adopting import-promotion policy
C. in adopting import- substitution policy
D. encouraging private sector

146. The earliest types of industrial activities of Ethiopia were largely confined to:

A. Large -and medium-scale industries
B. Small-scale establishments
C. Heavy industries
D. Produce luxury consumer goods

147. In which regime the substantial land reform were introduced in agriculture, industrial and financial sectors?

A. Imperial regime
B. Post- Derg regime
C. Derg regime
D. EPRDF regime

148. Of listed options, one does not characterize the economic policy features of the Ethiopian people Revolutionary Democratic Front (EPRDF) government. Which one?

A. Promotion of agricultural exports
B. Deregulation of economy
C. Privatization of the state enterprises
D. Enhancing public ownership in most economic sectors

149. Which one is true about positive economics? Positive economics:

A. Is concerned only with facts
B. Includes concerns of what should be
C. Deals with analysis of the benefit of economic policies
D. Deals with the value judgment

150. From the given options, one is the feature of free market and mixed economic system. Which one?

A. Economic welfare
B. Price mechanism
C. Economic equality
D. Economic planning

151. Among listed alternatives, one does not characterize free market economy. Which one?

A. Price coordinate and direct the economy
B. Private ownership
C. Inequality of income
D. No governmental intervention in the economy

MILLENNIUM SCHOOL OPEN EXAM - ONE

152. The resource market is the place where:

A. Households sell product and business buy products
B. Business sell resources and households sell products
C. Households sell resources and business buy resources (or the services of the resources)
D. Business sell resources and households buy resources (or the services of the resources)

153. Of listed options one characterizes command economy. Which one?

A. Clear social and economic objectives C. Freedom of choice by consumer
B. Minor role of the government intervention D. Economic welfare

154. Among listed assumptions, one violates the assumptions the model of two-sector economy without saving. Which one?

A. Households are owners of the factors of production
B. There is no governmental intervention in the economy
C. The is open economy
D. Firms are buyers of factors of production

155. Command and mixed economies shared the same feature in that:

A. Co-existence of private and public sectors C. Economic planning
B. Price mechanisms D. Freedom of economic decisions

156. According to circular flow model, which one is the principal seller of the factors of production?

A. Households C. Producers
B. Government D. Firms

157. Consider the following statements when answering this question;

I. A firm's marginal cost curve does not depend on the level of fixed costs.
II. As output increases the difference between a firm's average total cost and average variable cost curves cannot rise.

A. I is false, and II is true. C. I and II are both true.
B. I and II are both false. D. I is true, and II is false.

158. All are the concern area of microeconomics, EXCEPT one. Which one?

A. Determination of equilibrium price.
B. Determination of equilibrium level of income and employment.
C. Study of individual income and saving.
D. Study of individual economic unit

159. In developing economics, theories or principles through deductive method, which step comes last?

A. Testing or verifying hypothesis C. Identifying the problem and its variable
B. Defining technical terms D. Comparing prediction with facts

160. One of the following is false about the nature of economic laws. Economic laws are:

A. Conditional C. permanent and general
B. Scientific in nature D. a lot like statement of tendencies

MILLENNIUM SCHOOL OPEN EXAM - ONE