



School of Aygoda
PRIMARY, SECONDARY & COLLEGE PREPARATORY
Academic Year 2012 E.C
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Full Name: _____ **Time Allowed: 2:00**
hrs.

Grade: 12 Section: _____ Subject: Economics 3rd Quarter Model

1. If total product increases at increasing rate, _____
 - A. Both MP and AP are rising
 - B. Both MP and AP are falling
 - C. MP is rising and AP is falling
 - D. MP is falling and AP is rising
2. Which of the following is wrong statement about marginal cost?
 - A. The LMC curve is more flat than that of short run MC.
 - B. MC has nothing to do with fixed cost
 - C. $MC = \frac{w}{MPL}$
 - D. MC is the ratio between total cost and the level of output
3. Identify the wrong statement
 - A. Social cost = private cost - external cost
 - B. Accounting cost = explicit cost
 - C. Explicit cost = actual payment
 - D. External cost = not born by the firm
4. Which of the following cost does not exist in the long run?
 - A. TVC
 - B. TFC
 - C. TC
 - D. MC
5. Among the following which cost curve is originated from zero?
 - A. TFC
 - B. TC
 - C. TVC
 - D. MC
6. What was the objective of educational sector during derg regime?
 - A. Education for socialist consciousness
 - B. Education for trained students fluent in foreign language
 - C. Education for economic development
 - D. Education for improving manufacturing sector
7. The major trade partner for Ethiopian Gold is:
 - A. Netherland
 - B. Switzerland
 - C. Italy
 - D. Sudan
8. Current account balance include:
 - A. Transaction in financial asset
 - B. Transaction in financial liability
 - C. Records all exports and imports of goods and ser
 - D. Foreign investment minus domestic investment
9. If a production function exhibits decreasing returns to scale, then it is a _____.
 - A. Short - run production function and if all inputs are increased by 10%, output will increase by more than 10%.
 - B. Long - run production function and if all inputs are increased by 10%, output will increase by more than 10%.

- C. Short - run production function and if all inputs are decreased by 10%, output will increase by more than 10%.
- D. Long - run production function and if all inputs are increased by 10%, output will increase by less than 10%.
10. Which of the following statement is true about trade restriction?
- A. Quota is the oldest form of restriction
on monetary value
- C. Compound tariff is based on monetary value
- B. Ad valorem tariffs is based on each unit imported
on monetary value
- D. Specific tariff is based on monetary value
11. If a nation has _____ a nation produce and sell to other nations those products that it produce most effectively and efficiently and buy from other countries which cannot produce effectively and efficiently the nation has
- A. Absolute advantage
- C. Comparative advantage
- A. Opportunity cost
- D. Economic cost
12. A nation is said to have an absolute advantage in the international of a good if it can produce the good:
- A. At a lower cost than any other country
other country
- C. At lower quality than any other country
- B. At higher price than any other country
any other country
- D. At higher quality than any other country
13. _____ is a simple transfer of money from the bank account of import her/his own country to the bank account of the seller.
- A. Bank's transfer
- B. Bills of exchange
- C. Letter of credit
- D. Tariff
14. Which of the following is true about trade policy and strategy in Ethiopia since 1991?
- A. Excessive price control
- B. Nationalization of the major exporting firms by government
- C. Public ownership of the trade activities was emphasized
- D. Government withdrew from retail trade
15. From the following identify the wrong statement.
- A. The monopoly firms faces less elastic demand curve than that of monopolistically competitive demand curve.

- B. Under monopolistically competitive market there is close substitution between the commodity
- C. Perfectly competitive market charging lower price than monopolistically competitive market
- D. The value of price and average revenue is the same under all market structure
16. Which of the following is true statement?
- A. Stagflation means inflation rate and unemployment rate have an inverse relation ship
- B. Philips curve shows the positive relationship between unemployment and inflation rate
- C. Demand pull inflation is a supply side problem
- D. Cost push inflation if cost push inflation
17. The most dominant import items of Ethiopia is _____
- A. Capital goods B. Skins C. Coffee D. Raw material
18. Which group of regions fairly represents the current major trading partners of Ethiopia
- A. Oceania, America and Africa C. Europe, Asia and Africa
- B. Asia, Oceania and Europe D. America, Europe and Africa
19. Which of the following is wrongly combined?
- A. $P = AC$ - Breakeven point C. $P > AC$ - Normal profit
- B. $P > AC$ - Abnormal profit D. $P = AC$ - continue to operate
20. What is the profit maximization level of output?
- A. 9 B. 3 C. 0.3 D. 0.9
21. The magnitude profit/loss for question number 72 is
- A. -5 B. 27 C. 15 D. 5
22. All are the role and function of fiscal policy in the economy, **except**.
- A. Regulation of monitory expansion
- B. Promotion of economic growth
- C. Stabilization of economic growth by reducing fluctuation in the price level, output and employment
- D. Allocation of resources in the production of private and public goods
23. Which of the following occurs when all taxes and other revenues exceed government expenditures for years?
- A. Budget deficit B. Budget surplus C. Balanced budget D. Trade surplus
24. _____ is the cause of heavy domestic borrowing by government.
- A. Increase in interest rate C. Decrease in interest rate
- B. Crowds out investment D. Decrease in interest
25. Which of the following method is not advisable to finance a deficit?

- A. External borrowing B. Domestic borrowing C. Money printing D. Granting
26. Which of the following is the largest contributor of federal government in Ethiopia?
- A. Foreign trade tax B. Agricultural income tax C. Domestic indirect tax D. Corporation profit tax
27. The difference between recurrent and capital expenditure, capital expenditure is _____
- A. Mostly financed from domestic revenue sources C. Financed by external borrowing and grants
- B. They are repeated in nature D. Salaries of civil servant
28. A person quit her job in order to spend time looking for a better paying job. This is an example of _____
- A. Frictional unemployment C. Technological unemployment
- B. Structural unemployment D. Cyclical unemployment
29. The phase of business cycle during which business confidence in the economy is at lowest is known as:
- A. Boom B. Recession C. Expansion D. Trough
30. Which of the following types of inflation would result if the price level rises because of an increase in the price of raw materials?
- A. Demand-pull inflation C. Cost-pull inflation
- B. Cost-push inflation D. Demand-push inflation
31. Which of the following is **correct** statement about oligopoly markets?
- A. There is a low degree of interdependence among firms in an oligopoly market
- B. There is no non-price competition in an oligopoly market
- C. Products in an oligopoly market are always homogeneous
- D. Firms in oligopoly markets are highly interdependent
32. Establishment of large scale commercial forms & development of package projects were strongly associated with the agricultural sector policy of the _____
- A. Derg region C. Pre 1974 of the Imperial period
- B. Post 1991 D. Both in Imperial & Derg period
33. For a country having a trade balance of 100 units, net services of 50 units and current account balance of 200 units the net transfer payment would be _____

units

34. The missing elements in the aggregate identify $GDP = \text{consumption} + \text{investment} + \text{Net export}$ is

A. national debt B. government spending C. technology D. human resource

35. Autonomous investment is

A. Income - in elastic C. dependent up on rate of investment
B. income - elastic D. degdent up on rate of corporate

tax

36. The saving function is a relationship between

A. Level of saving and investment. C. Level of saving & income
B. Level of saving & consumption. D. None of these

37. The difference between the long run and short run is that

A. in the short run, there are constant returns to scale but not in the long run .
B. in the long run, all inputs can be varied.
C. three months.
D. in the short run, the average cost is curve is decreasing but it is increasing in long run.

38. In the second stage of the short run production function in which labor is the only variable in puts. Which of the following is true about the relationship between average product (APL) and

marginal product (MPL)

A. APL is greater than MPL and MPL is positive.
B. APL is greater than MPL and MPL is negative.
C. APL is less than MPL and MPL is positive.
D. APL is equal to MPL and APL is at its maximum.

39. A product will not choose an input level from region III of production because _____

A. if violates union workers rule. C. average product is declining.
B. marginal product is still positive. D. marginal product is negative.

40. The difference between explicit and implicit costs are:

A. Implicit costs are opportunity cost explicit costs are not.
B. Explicit costs are short run cost and implicit costs are long run.

C. Explicit costs are costs of resources hired by the firm and implicit costs are those of resources owned by the firm or provide by the firm.

D. Explicit costs are associated with variable resources and implicit costs with fixed resources.

41. Which of the following is true about a firm that used labor as the only variable in put in short run?

A. in first stage of the production, both the average produce of labour & marginal product of laour are increasing.

B. When the total product curve reaches its maximum the average product of labor becomes zero.

C. At the point where the marginal product of labor is equal to the average product of labor area from the marginal will be tangent to the total product function.

D. The average product corresponding to each unit of labor is equal to the slope of a tangent line to the total product function at that unit of labor.

42. The least - cost rule for a firm's choice of inputs is that is should _____

A. Combine inputs that have high marginal rate is substitution.

B. Produce output until unit costs of each input purchased is equalized.

C. Combine low - cost inputs of high marginal rate of substitution.

D. Buy inputs units the marginal product per unit price of each input is equalized.

43. Production function is a _____ relationship between input and output.

A. Monetary B. Profit C. Technology

B. The battle of merebe D. price

44. The $AR = MR = AC$ situation is

A. A short run equilibrium position

B. A break - the point for a perfectly competitive firm

C. A long run equilibrium position.

D. B and C

45. Income from the theft, smelling, pick pocketing is not included in the national income because.

A. They do not result in flow of income. C. these are antisocial activities.

B. these are illegal activities. D. those form of income are easily earned.

46. The term distributive services constitutes _____

- A. Banking and insurance service.
- B. Real estate housing and domestic service.
- C. Public administration, defense, education and health services.
- D. Trade transport and communication, hotel and restaurant services.

47. The share of service sector in the Gross - domestic product (GOP) of Ethiopia has been the

- A. Least compared to all other sectors.
- B. Largest compared to other sectors.
- C. Second largest next to agricultural sector.
- D. Third largest next to agricultural and industrial sector.

48. The status of Ethiopia health is very poor due to

- A. low population growth.
- B. High education and income of the population especially among women.
- C. Nutritional disorder and insufficient access to health care services.
- D. Sufficient access to clean water and sanitation.

49. Education for population, Education for socialist cons coolness and education for science and research were objectives of Education policies and strategies.

- A. The new government C. The Derg regime
- B. The imperial regime D. Emperor Menelik II regime

50. During Derg the contribution of tourism sector continually decline due to the following reasons except:

- A. prolonged war
- B. Recurrent draught and famine
- C. Stained government relation with tourist generation countries
- D. Political stability

51. Which one of the following best describes import substitution strategy?

- A. Promotion of export C. Switching of exports by imports.

- B. Replacement of exports by imports D. Replacement of imports by domestic manufactures.

52. The most frequently used mode of payment in Ethiopia for imports is

- _____
- A. Direct payment B. Letter of credit C. banker's transfer D. bill of exchange

53. Which one of the following is not used to compute GDP using expenditure approach?

- A. Consumption B. Gross profit C. Gross capital formation D. Import & export

54. Which one of the following approaches of measuring national income incorporates indirect

business tax as component of GDP?

- A. The value added approach C. The expenditure approach
B. The output approach D. The income approach

55. Monopolistically competitive market and perfectly competitive market are the same in the following feature.

- A. Having a downward curve in the long run C. Free entry and exit of firm
B. Differentiated products D. Absence of transportation cost

56. Which one is not correct about a market structure that has a horizontal demand curve?

- A. The price elasticity of demand is infinite
B. There is a strong price competition among sellers
C. There are many buyers and sellers of homogenous product
D. The firm only generate normal profit in the short run

57. From the following identify the wrong statement

- A. When the government revenue is come from foreigner grants, it is called capital assistance.
B. Direct taxes are normally imposed on income
C. Corporate tax is imposed on the profit of business enterprise
D. When the government expenditure greater than government revenue is called budget deficit

58. A continues decrease in general price is called _____

- A. Inflation B. Hyper inflation C. Budget deficit
D. Deflation

59. The consumer price index measure the cost of

- A. All goods and services produced in the economy
B. All goods produced in the economy
C. A fixed market basket of consumer goods and services produced in the economy

- D. All services produced in the economy
60. A person is considered as unemployed if that person:
- Voluntarily unemployed
 - Have ability, but does not want to search it
 - Unwilling to do work
 - Does not have a job but is actively searching for a job
61. Which one of the following is wrongly combined?
- Duopoly-two buyer
 - Monopsony-only one buyer
 - Oligopsony-A few buyer
 - Pure-oligopoly-Homogenous product
62. Identify the incorrect statement from the following?
- When the MP increases, the TP increases at increases rate.
 - When the MP declines but positive, the TP increases at diminishing rate
 - When TP is zero, MP reach maximum
 - When MP is negative, TP always decline.
63. When AP is increasing, it follows that;
- TP must be decreasing.
 - MP must be less than AP.
 - AP must be less than MP.
 - AP must be equal to MP.
64. Which of the following notify the rate of change of TP due to a unit change in the variable input?
- MC
 - AVC
 - AP
 - MP
65. _____ among the following one does not have U shape curve
- AVC
 - MC
 - AFC
 - ATC
66. law of diminishing returns state that,
- The marginal utility of a commodity will be decline.
 - The marginal product of an input will eventually decline.
 - The total product of an input will be decline.
 - The marginal product of an input will eventually be negative.
67. Which of the following is correct about period of production?
- In short run all inputs are fixed.
 - Long run is a period of time in which at least one input is variable.
 - Short run is a period of time in which at least one input is fixed.
 - Long run is more than one year.
68. From the following which one is a short run phenomenon?
- Economies of scale
 - Diseconomies of scale
 - Return to scale
 - Law of diminishing return

Suppose the perfectly competitive firm's cost function is $TC=Q^3-21Q^2+600Q+1820$ and its $AR=600$.

69. What is the profit maximization level of output?

- A. 12 B. 18 C. 0 D. 14
70. What is the maximum of profit or minimum of loss?
A. 448 B. 840 C. -448 D. -840
71. A period of time in which the economy starts to grow in a business cycle is termed as:
A. Boom B. Trough C. Recovery D. Recession
72. The main cause of international trade is that:
A. Resources are not equally distributed to all trade nations
B. Similarity of demand
C. To maximize government revenue by imposing tax
D. To avoid trade restriction fixed by governments
73. The condition at which too much money chases too few goods causes most possibly
A. Cost push inflation B. Deflation C. Demand pull inflation D. Supply side inflation
74. Suppose the total cost function of a given firm is given by: $TC=20+6Q-0.5Q^2+2Q^3$, then the value of total fixed cost will be _____.
A. 20 B. 120 C. 13 D. 28
75. What is the value marginal cost if a firm is imposition to produce 3 units for question number 79 above?
A. 57 B. 81 C. 9 D. 60
76. Which of the is an example of a normative statement?
A. A higher prices for a good causes people to buy less of that good.
B. A lower prices for a good causes people to buy more of that good.
C. To make the good available to more people a lower prices should be set.
D. All
77. Exchange rate between two countries defined as:-
A. Ratio of import volume to export volume for a particular country.
B. Different between total exports and imports of a country.
C. Price at which the sales and purchases of foreign goods takes place.
D. An amount of one country that must be paid in order to obtained one unity of another currency.
78. Devaluation of the domestic currency is expected
A. Increase the exports of the country.
B. Increase the import of the country.
C. Always determinate the balance of payments of the country.
D. Encourage domestic consumers to buy more of foreign goods.
79. Which of the following polices was not practiced under the imperial regime?
A. Control of larger scale forms by the government.
B. Import substitution strategy.
C. Imposition of high tariff on imported good to protect infant industries.
D. Diversification - of exports and the trading partner in the international market.

80. Which of the following was Not an element of Ethiopians structural adjustment program in the 1990s?
- A. currency devaluation
 - B. privatization of rural lands
 - C. liberalization of foreign trade
 - D. a removal of domestic price control