

DIRECTIONS: Each of the following questions is followed by four possible alternatives read each question

Carefully and blacken the letter of your best choice on the separate answer sheet provided.

1. What is the basic difference between macroeconomics and micro economics?
 - A. Macroeconomics looks at the aggregate market, while microeconomics concerned with subcomponents.
 - B. Macroeconomics concerned with single unit of economy, while microeconomics concern on the whole economy
 - C. microeconomics concern on aggregate market, while macroeconomics concern on individual consumer behavior
 - D. Opportunity cost is applicable in macroeconomics, while fallacy of consumption relates to microeconomics.
2. The individual decision making behavior of different economic units are studied at a disaggregate level by -----.
 - A. Macroeconomics.
 - B. Microeconomics.
 - C. fiscal economic policy.
 - D. Monetary economic policy.
3. Which one is the focus area of macroeconomics?
 - A. Economic growth.
 - B. Distribution of income
 - C. Employment
 - D. All
4. The total value of final goods and services that are produced by domestically owned factors of production in a given period of time used to measure -----.
 - A. GDP
 - B. NFI
 - C. GNP
 - D. NE or (X-M)
5. Which one measurement approach of GDP is calculated by adding the market value of goods & services that are currently produced by each sector of the economy?
 - A. Expenditure approach
 - B. Product approach
 - C. Income approach
 - D. Economic approach
6. The rate at which the real GDP of a country increases over a period of time refers to :-
 - A. Deflation rate
 - B. Employment rate
 - C. Economic growth rate
 - D. Inflation rate
7. Assume that the current date CPI is 80% and the past date CPI was 60%. How much the inflation rate?
 - A. 33.33 %
 - B. 36.25 %
 - C. 39.1 %
 - D. 40%
8. Which of the following is not true about structural unemployment?
 - A. It is caused by lack of necessary skills for a particular job.
 - B. It is caused by labour immobility.
 - C. It is caused by the breakdown of machinery.
 - D. It occurs due to a deficiency of aggregate effective demand resulting from business depression.

9. The highest point of the business cycle when the economy producing at a maximum level of output refers to

- A. Peak B. Recession C. expansion D. Depression.



10. Suppose that the total population of one country is 400 million & there are 146 million are employed and 7.5 million people are unemployed. Then calculate the unemployment rate?

- A. 4.9 % B. 4.7% C. 4.6 % D. 4.4%

11. Which statement is wrong about the impact of international trade on GDP?

- A. When $M > X$, the country has trade deficit & GDP falls.
 B. When $X < M$, the country has trade surplus & GDP rises.
 C. When $X = M$, the country has trade balance & GDP does not affected by trade.
 D. When $X > M$, the country has trade surplus & GDP rises.

12. The systematic records of a nation's financial transactions with outside world refers to;

- A. Balance of trade C. Balance of payment
 B. National economy D. All

13. Which one type of inflation occurs when prices rise rapidly at the rate of 10% to 20% per year?

- A. Walking inflation C. Hyper inflation
 B. Galloping inflation D. Running inflation.

14. One of the following is invalid concept about the classical economist school of thought?

- A. Classical economists were the predominant economic philosophy until the great depression.
 B. Classical economists were the thinker of flexible price & the short run fluctuation in economic activity.
 C. Classical economists accept the idea of marginal utility & mathematical economics methods of presentation.
 D. Classical economists used a "hand off policy" approach to show the economy.

15. The government should focus more on long term economic growth and on controlling inflation than worrying about recession is a key policy of -----.

- A. Keynesian economist C. Classical economist
 B. Neo classical economist D. Monetarist economist

16. Which one is more useful for analyzing the macroeconomic short run period?

- A. Keynesian economics
B. Monetarist economics
C. New classical economics
D. Neo classical economics
17. Which one major component of aggregate demand is determined by the levels of output, the cost of capital & expectation about the future?
A. Consumption
B. Net export or (X-M)
C. Investment
D. Government expenditure
18. Why does the aggregate demand curve become downward slope?
A. Due to the substitution effect
B. Due to the income effect
C. Due to the direct relationship b/n real GDP & price
D. Due to the interest rate & real GDP effect
19. An increase in government spending, the aggregate demand curve will-----.



- A. Shift to the left
B. Shift to the right.
C. Shift to
D. Shift to
- vertically
horizontally

20. An increase in net exports will shift the aggregate demand curve to:
A. The left by a multiple of the change in investment.
B. The left by the same amount as the change in investment.
C. The right by the same amount as the change in investment.
D. The right by a multiple of the change in investment.
21. One of the following factors does not affect consumption which one?
A. Wealth B. business taxes C. Interest rate D. Income taxes.
22. A decrease in business tax, what will happen in investment & aggregate demand?
A. Both investment and aggregate demand t are increase.
B. Both investment and aggregate demand t are decrease.
C. Investment spending increase but not aggregate demand.
D. Aggregate demand increase & Investment spending decrease.
23. The aggregate supply curve in the short run is up - sloped ,because:-
A. Wage & other resources are prices match change in the price levels.
B. The price level is flexible upward but inflexible downward.
C. Wage & other resources prices are flexible upward but inflexible downward.
D. The per-unit production costs rise as the economy move towards and beyond downward.
24. Why a change in wage rate has a major impact on the position of the long run aggregate supply curve? Because:

- A. Wage costs are sometimes firms not a major cost item.
 B. Wage costs are usually firms major cost item.
 C. Wage rate is not the cost of input in the supply process.
 D. The wage rate does not affect the long run aggregate supply curve.
25. Suppose that the nominal wage rate is \$60 an hour and the price level as measured by a price index is 2.5. Then find out the real wage?
 A. \$ 20 B. \$ 25 C. \$ 24 D. \$ 22
26. Which of the following is true about the long run aggregate supply (LRAS) curve?
 A. LRAS curve is vertical line in the level of natural real GDP.
 B. A period of real GDP is the same as with the short run.
 C. The economy does not produce the full employment real GDP.
 D. The output economy in the long run is not the LRAS curve.
27. The quantity demand of labour is inversely related to the real wage when,-----.
 A. Real wage increase, the quantity of labour supplied is also increase.
 B. Real wage decrease, the quantity of labour supplied is also decrease.
 C. Both real wage & the quantity labour of supplied are stagnated.
 D. Real wage increase, the quantity demand for labour is decrease.
28. Identify the wrong statement from the following alternatives?
 A. Both AD & SRAS together achieve short run equilibrium in the economy.
 B. Both AD & SRAS determines the price level.
 C. Both AD & SRAS determines the real GDP.
 D. Both AD & SRAS together achieve long-run equilibrium in the economy.
29. An expansionary demand shock shift the aggregate demand (AD) curves to-----.
 A. Right ward B. Left ward C. horizontally D. Vertically.
30. The quantity supplied of all goods & services or real GDP at a various price levels in a given period of time & ceteris paribus refers to:
 A. Aggregate demand C. Aggregate demand curve
 B. Aggregate supply. D. Net factor income
31. All are the determinates of aggregate supply Except,
 A. The cost of input C. real interest rate
 B. State of technology D. Tax policy of the government
32. When the long run equilibrium of the economy was occurs?
 A. At the intersection of aggregate demand & short run aggregate supply curve.



- B. At the intersection of aggregate demand curve & aggregate supply.
 C. At the intersection of aggregate demand & aggregate supply curve.
 D. Aggregate demand curve intersect the long run aggregate supply curve.
33. ----- is the economic situation of an inefficient distribution of goods & services in the free market.
 A. Externality
 B. Public goods
 C. Market failure
 D. Market demand.
34. All are the common types of market failures Except,
 A. Externality
 B. Information asymmetric
 C. Factor immobility
 D. symmetric information
35. Which of the following is the best example of that the government can generate solution for market failure?
 A. Private market solution
 B. Placing a tax on tobacco.
 C. parties can privately agree to limit consumption
 D. Voluntary collective action solution.
36. Which good is rival & non-excludable among the following?
 A. Common resource
 B. Private good
 C. Regulated good
 D. public good
37. Which one of the following statement is true about public good?
 A. No one can be excluded from enjoying its benefits.
 B. Anyone can be excluded from enjoying its benefits.
 C. Consumer pays a low price.
 D. Consumer must pay a high price.
38. A mechanism that is used to providing efficient level of public good by using entrance fees?
 A. Private provision of excludable public goods.
 B. Public provision of excludable public goods.
 C. Public provision of non-excludable public good.
 D. Religious beliefs.
39. A cost or a benefit that affects an otherwise uninvolved party who did not choose to be subject to the cost or benefit?
 A. An economic efficiency
 B. Non rivalries
 C. An externality
 D. market efficiency.
40. Air pollution generated by a paper mill factory is an example of
 A. Positive consumption externality
 B. Negative consumption externality



- C. Positive production externality.
D. Negative production externality.
41. Which one suggested solution for negative externality explain the “coase theorem” assumption?
A. Small number of affected individual
B. Zero & minimum transaction cost
C. Well defined initial property rights
D. All
42. The transaction where one party has more information than other party is
A. Symmetric information. C. A cheated information.
B. Asymmetric information. D. Exhaustive information.
43. Which one of the following asymmetric information problem is the inability to observe and verify the agent’s action?
A. Hidden information problem C. moral hazard problem
B. Negative selection problem D. Anti- selective problem
44. Which one suggested solution is the strategy of combating adverse of selection problem?
A. Screening C. Ex-post moral hazard
B. Signaling D. One party or agent conveys information.
45. Why we need to the consumer protection?
A. Principle of social justice C. Principle of trusteeship
B. Consumer satisfaction D. All
46. Which activity shows the most common business malpractice by adding something inferior to the product being sold?
A. Sale of spurious goods C. Sale of adulterated goods
B. Sale of sub-standard goods D. Sale of duplicated goods.
47. Safeguarding the interest & rights of consumer from unscrupulous malpractice by the business is
A. Survival and growth business C. customer demand
B. Customer service D. consumer protection
48. Which one of the following is not the macroeconomic policy?
A. Investment policy C. Income policy
B. Monetary policy D. Foreign exchange policy
49. All are the general objectives of macroeconomic except,
A. Healthy balance of payment C. Price stability
B. Minimum feasible output D. Full employment
50. Which one of the following is the tool of fiscal policy ?



- A. open market operation C. Required reserve ratio
B. Discount rate D. Government spending
51. The purchase & sale of security such as bonds by central government is
A. Open market operation C. Open market sale
B. Open market purchase D. Treasury bills.
52. Fiscal policy refers to :
A. Controlling the money supply
B. Controlling the producer price index.
C. Government spending & taxation decision.
D. Decisions to alter market interest rate.
53. To control the situation of deficient demand refers to
A. Government expenditure is reducing. C. The bank rate is reduced
B. Tax rates are increased D. All of the above
54. Which one of the following are monetary policy tools?
A. Taxation C. Required reserve ratio
B. Government expenditure D. revenue policy.
55. To control the situation of an excess demand the central bank will be :
A. Reduce discount rate C. Decrease required reserve ratio
B. Sales government security D. Increase aggregate demand
56. Which one of the following is differ from the other?
A. Reduce discount rate C. reducing required reserve ratio
B. Buying security through open market D. Increasing the discount rate.
57. During inflation the central bank must be:
A. Decrease required reserve ratio C. Increase required reserve ratio
B. Purchasing security through open market D. Decrease the discount rate
58. The mandated maximum amount that a seller is allowed to charge for a product or a service is
A. Income policy B. Fiscal policy C. Price floor D. Price ceiling.
59. If the market demand & supply function of wheat are given as $Q_d = 80 - 3p$ and $Q_s = 9p - 40$, respectively. Then what is the market clearing price and quantity respectively?
A. 9 & 40 B. 4 & 20 C. 10 & 50 D. 10 & 48
60. Based on question 59 if the price falls to 5, what will happen?
A. There will be excess demand C. The quantity supply is 60.

- B. There will be excess supply D. There will be market equilibrium.

61. Which one of the following are not the characteristics of perfectly competitive labour market?

- A. Large number of firms competing with each other to fill identical job.
B. Numerous qualified people
C. Wage taking behavior.
D. Imperfect costless information



62. During the price floor there is

- A. Shortage B. surplus C. Balanced D. excess demand

63. Which one of the following is not the factor that affect foreign exchange rate?

- A. Interest rate B. inflation rate C. Government debit D. Certainty

64. Which one of the following is odd?

- A. Instability C. Lack of policy constraints
B. speculation D. No constraints on domestic policy.

65. Which one is fluctuate in the exchange rate under fixed exchange rate policy?

- A. Deprecation B. Revaluation C. Appreciation D. Floating.

66. Which one is not the advantages of floating exchange rate?

- A. Speculation C. Lack of policy constraints
B. The correction of balance of payment deficit D. Protection from external shocks

67. One of the following is a factors that affect the foreign exchange rate

- A. Balance of payment C. Terms of trade
B. government debit D. All of the above

68. Identify wrongly paired about terms that are used in a filled of taxation?

- A. Tax rate – per unit amount of tax.
B. Tax base – quantity of economic activity.
C. Tax incidence – the way of distribution on tax burden.
D. Impact of tax – tax payer response to tax imposition.

69. From the following cannon of taxation one is states that the cost of tax collection should be

the minimum possible,

- A. The principle of fiscal adequacy.

- B . The principle of economy
- C. The tax which everyone is bound to pay
- D. Every tax ought to be levied at convenient time for tax payer

70. Suppose kebede has an income of 5000 birr and pays tax 500 birr while Feleke has an income

of 30,000 birr pay tax 2000 birr. This tax is

- A. Regressive tax
- B. progressive tax
- C. Proportional tax
- D. Indirect tax.

71. A good tax system is characterized by :

- A. Simple, financially adequate & inelastic
- C. Balanced and harmonious
- B. Broad based
- D. Socially advantageous

72. Which one of the following bases of ability to pay approach of taxation treats people with

unequal income un equally?

- A. Horizontal equity
- C. Vertical equity
- B. Quid pro quo
- D. Unrequited

73. Identify the mismatch statement from the following alternatives?



- A. Progressive tax – average tax rate rise when income rises.
- B. Regressive tax – collects high tax from higher income people.

C. proportional tax – average tax rate is the same as all income level.

D. Regressive tax – average tax rate fall when income rise.

74. In income tax proclamation number provides the source of income under schedule D is

- A. Income from rental building
- C. Income from causal property
- B. Income from business activity
- D. Income from employment

75. Which one of the following is not indirect tax?

- A. Withholding tax
- B. Stamp duty tax
- C. Turn over tax
- D. Capital gain tax.

76. The rate of income tax in Ethiopia is

- A. Regressive tax
- B. Progressive tax
- C. proportional tax
- D. Horizontal

77. A tax imposed on imported goods or exported goods is :

- A. Withholding tax
- B. Stamp duty tax
- C. Custom duty tax
- D. Excise tax

78. The term unrequited in taxation indicates the following except,

- A. obtaining direct benefit is the main condition of paying tax

B. The benefit provide by the government for the taxpayers are not proportional to the tax payer.

C. Obtained direct benefits not the main condition of paying tax.

D. Tax is levied without aqid pro quo.

79. From the following which one is the most important source of revenue for the government?

A. Grants

B. Taxes

C. Donation

D. loan

80. Identify incorrect statement about tax evasion

A. It is falling to pay legally due to tax. C. It is falsifying information on tax return.

B. It is illegal activity

D. It is legal activity.

81. The problems that are related to tax compliance are the biggest problem in developing countries.

the term tax compliance mean,

A. Tax avoidance

C. The degree to which tax payers with tax laws

B. Tax evasion

D. Client orientation.

82. One of the following is correctly characterized absolute poverty?

A. The situation of someone being an able or only barely able to meet needs.

B. It is the deprivation of basic needs.

C. It is unable to command sufficient resource to satisfy basic needs.

D. all of the above.

83. The sum of the difference between the poverty line and actual income level is measured by

A. Foster greer thorbecke index

C. Total poverty gap

B. Multi dimensional poverty index

D. Headcount poverty

index

84. Which one of the following assumption is not sen's capability approach?

A. Sens welfare theory relies on individual attainments but not individual capabilities.

B. Income and wealth are not ends in themselves.

C. The expansion of commodity production is valued not for its own sake.

D. The capability to function is what really matters for one status apoor or

non poor person.



85. All are the reasons for measuring poverty index except,

- A. Indicators of welfare. C. Monitoring the progress
B. Headcount index D. Targeting vulnerable
86. Which one of the following is correctly express inequality?
A. Lack of basic needs C. Proportionate distribution of income
B. Being equally D. The situation of being uneven or social disparity
87. Which statement is not true about Lorenz curve?
A. If income distribution is perfectly equal when the Lorenz curve more bowed out the curve
B. The Lorenz curve is located between the 45° line & the line of complete inequality.
C. The diagonal line is representative of perfect equality.
D. The more bowed out the curve is the less equal of distribution.
88. If the rise in income is the same proportion for both low income & high income workers refers to:
A. poverty will rise & inequality will remain unchanged.
B. Both poverty and inequality will rise.
C. poverty will fall & inequality will remain unchanged
D. Both poverty and inequality will fall.
89. Identify the correct statement about the Gini coefficient
A. The higher value of gini coefficient shows low inequality
B. If the gini coefficient value is one, it shows perfect equality.
C. The higher value of gini coefficient has the higher equality.
D. If the gini coefficient value is zero, it implies perfect equality.
90. If there are two countries A & B with gini coefficient 0.27 and 0.7 respectively. Which one of the following is incorrect about two countries?
A. Country A is characterized by more unequal distribution of income than country B.
B. Country B is characterized by more unequal distribution of income than country A.
C. Country B is characterized by perfect equality of income than country A.
D. Both are shows perfect equality of income.
91. Which organization defined poverty as « the pronounced deprivation in wellbeing ».
A. UNSECO B. IMF C. ILO D. WORLD BANK.

92. Which one of the following best describes the situation of global poverty & women?
- Women make up a substantial majority of the world's poor.
 - Among the poorest community throughout 3rd world state.
 - Women are more likely to be poor & malnourished.
 - All of the above.
93. One of the following is not included under SDGs?
- Improve quality of education
 - Reduce equality
 - Gender equality
 - climate action.
94.  A condition in which an individual or community lacks the financial resources & basic necessities to meet the basic needs is refers to:
- Poverty
 - In equality
 - extreme equality
 - SDGs
95. The prevalence of poverty with in a specific geographical area or region is
- global poverty
 - worldwide poverty
 - regional poverty
 - Rural poverty
96. The degree of inequality between high income and low income groups in a country measured by
- Gini coefficient
 - Lorenz curve
 - kusnet ratio
 - total poverty gap
97. Which one is the part of poverty reduction strategy process of World Bank implemented by Ethiopia?
- Consumption expenditure service
 - Central statistical conducts regular house hold
 - The welfare monitoring survey.
 - All of the above.
98. The poverty and vulnerability of the people is reflected on the following except,
- Inadequate health service.
 - Adequate education system service
 - poor access to basic service
 - Lack of infrastructure.
99. The accumulated set of common sense knowledge and ideas of local people about their every day activity is refers to:
- Innovation
 - global knowledge
 - Indigenous knowledge
 - scientific knowledge
100. Which one of the following is not included under the common practice of indigenous knowledge?
- Oral traditional knowledge
 - Spirituality and ceremonies knowledge.

B. Traditional medicine knowledge.
knowledge.

D. Laboratory test