Economics

2004 E.C for Grade 11

UNIT ONE

1. a graduate student with an average earning potential of 36,000 birr in public sector jobs decides to join a one-year training program that costs 12,000 Birr. What is the opportunity cost of the decision?
   A. 12,000 Birr B. 24,000 Birr C. 36,000 Birr D. 48,000 Birr
2. Which of the following is a normative statements?
   A. Growth and inequality are both increasing
   B. Rising inequality under accelerated growth condition is better
   C. Ethiopia ha achieved the highest economic growth rate of all times in the post – 1991 period
   D. The gap between the rich and the poor has significantly increased under the current regime as compared to the previous one

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UNIT ONE

1. In circular flows of income and expenditure, real flows consist of flows of
   (A) the money incomes from factor services such as rent.
   (B) the money expenditures incurred for the purchase of good and services.
   (C) goods and services from the producers to the buyers.
   (D) factor services from the producers to the owners of a factor.
2. Which of the following is the main feature of capitalism?
   (A) Collective ownership (C) Maximum social welfare
   (B) Clear social and economic objectives (D) Profit motive

The points on the production possibility curve of the economy producing good categorized as A and B respectively are the following: (0, 20 (2, 18) (3, 16) (4,14) (5,12) . . . . . (11,0).

3. On the basis of the given information above, choose one of the following causes that best explain a shift of the production possibility curve to points (0,25) (2,22) (3,20) (4,17) (5,13) . . . . . (11,0)?
   (A) A technological change in favor of good B
   (B) A technological change in favor of good A
   (C) Economic growth
   (D) Both technological change and economic growth
4. Which of the flowing is true about opportunity cost?
   (A) Opportunity cost of producing a good is the number of units of another good forgone to produce one additional
   (B) Opportunity cost of producing a good is the same as average production cost of that good.
   (C) Opportunity cost of producing a good is the same as the marginal production cost of that good.
   (D) Opportunity cost of producing a good is the same as the market price of that good.
5. An economist identified the variables related to a problem of interest and went to collect data on the variables. After collecting the data, a preliminary assessment of the data was made to make hypothesis on the possible relationship between the variables. The method used is:
   (A) Deductive C) Integrated deductive and inductive
   (B) Inductive D) Integrated positive and normative

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UNIT ONE

1. Economy has to make choices between various types of goods that can be produced with given resources. This is because
   (A) resources are limited.
   (B) resources are unlimited.
   (C) choices do not involve sacrifices.
   (D) choices do not involve opportunity costs.
2. Which one of the following differentiates market economy from command economy?
   (A) In market economy, consumers do not have choices.
   (B) In market economy, individual producers decide how much to produce.
   (C) In command economy, producers decide the consumption quantity.
   (D) In command economy, both produces and consumers are deciding together.
3. Which of the following best describes economic role of a government in a market economy?
   (A) Providing public goods and services.
   (B) Employing as many works as possible.
   (C) Controlling the prices all goods and services in the economy.
   (D) Providing goods and services to individual households for free.
4. Economic problem is best stated as the problem of
   (A) decreasing cost of production.
   (B) scarcity of economic resources.
   (C) lack of demand for economic resources.
   (D) excessive availability of economic resources

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UNIT ONE

1. Which one of the following is the best description of market demand for a commodity?
   A. People with the ability to buy haven't expressed the willingness to buy.
   B. Consumers with or without money know about the uses of the commodity.
   C. People with money are willing to pay for the commodity.
   D. Consumer without money have strong desire to have the commodity.
2. Which one of the following is a major decision making unit in command economy?
   A. Government B. Business firms C. Households D. Capitalists
3. Which one of the following is NOT a role of government in a market economy?
   A. Regulating export and import trade on important products.
   B. Investing on industrial enterprises to generate income.
   C. Controlling monopoly in retail trade on essential consumer goods.
   D. Regulating market power in the conduct of trade and industry.

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UNIT TWO

1. Which of the following is NOT related to the simplest model of circular flow of income?
   A. Foreign exchange earnings
   B. Factors of factors of production and wages
   C. Relationship between firms and households
   D. Supply of goods and consumer expenditure

2. Which of the following is correct about demand?
   A. Desire and demand are used interchangeably in economics
   B. Quantity demanded refers to a specific quantity the consumer is willing to buy at a specific price
   C. Quantity demanded refers to the relationship between quantity demined and is price, other things kept constant
   D. Demand refers to the specific quantity of a commodity the consumer is willing to buy at a specific price, other things kept constant
3. A household demand curve for butter will NOT shift as a resutl of change in _____.
   A. The household size
   B. The price of butter
   C. household income.
   D. the price of cooking oil
4. Having a _____, which sows the functional relationship between quantity supplied and price, one can insert different levels of prices to get a _____, which states the different quantities of a commodity offered for sale at these different prices and get a _____, wowing the same information graphically
   A. Supply schedule, supply function, supply curve
   B. Supply curve, supply function, supply schedule
   C. Supply function, supply schedule, supply curve
   D. Supply schedule, supply curve supply function
   A. If total revenue increases when price increases at a point on a given linear demand curve
5. , which one of the following is NOT correct?
   B. Demand is price elastic at this point
   C. Demand is price inelastic at this point
   C. Decreasing price will decrease total revenue
   D. Increasing price results in higher net income to the producer
6. One of the following is true about a shift in demand curve?
   A. A shift in demand curve implies the same demand schedule
   B. A shift in demand curve shows movement along a given demand curve
   C. A rightward shift in demand curve results in higher quantity demanded at a given price per time period
   D. A leftward shift in demand curve can result in higher quantity demand at a given price per time period
7. Which of the following statements is NOT true about price elasticity?
   A. Demand for necessities is less elastic than demand for luxury goods
   B. A commodity with lower proportion of expenditure has lower elasticity
   C. Having many close substitutes make the demand for a commodity likely to be elastic
   D. Price elasticity of demand tends to be more elastic in the short run than in the long run
8. The supply curve of a firm will shift upwards and to the right, ceteris paribus, if ____.
   A. Total costs decrease
   B. Input prices increase
   C. output price decrease
   D. marginal costs decrease

9. Which of the following statements is true about the relationship between a firm's output and its total costs of operation?
   A. The relationship cannot be established
   B. Total costs continue to increase with increasing levels of output
   C. Total costs initially rise rapidly but soon start to decline at a higher level of output
   D. Total costs slowly rise, reach maximum and then decline at a higher level of output

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UNIT TWO

1. If an increase in demanded quantity for a commodity as a result of increase in income of consumers is to be analyzed, which of the following best expresses the assumptions that must have been held by the analyst?
   (A) Price of the good and price of other goods are held constant.
   (B) Price of the good and price of other goods are changing slowly.
   (C) All factors, other than income, are changing at a reasonable rate.
   (D) All factors, other than income, are held constant.
2. Which one of the following statement is true about demand and quantity demanded?
   (A) Demand refers to a specific quantity demanded at a particular time, ceteris paribus.
   (B) Quantity demanded is a particular price cibsyners are willing to spend for a specific quantity.
   (C) Demand is the relationsip between price and quantity demanded of a good when other things are held constant.
   (D) Quantity demanded is the relationship between price and demand of a good when other things are held constant.

Question 1 and 2 are based on the following information.

A firm's supply curve for oil is given by $Q^S = 30p - 24$, where, Q^S = the quantity of oil suppled in kilograms per day and, p = price of oil in Birr per kilogram. There are 10 firms in the oil industry and the price of oil on a specific day of the week was found to be Birr 10 per Kilogram.

3. The quantity of oil supplied by the industry pre day is _____ kilograms.

(A) 2760 (B) 276 (C) 27600 (D) 27.6

4. The Quantity of oil supplied by an individual firm pre day is _____ kilograms.

(A) 2760 (B) 27.6 (C) 276 (D) 2.76

5. Demand for a commodity will be price elastic if the commodity:

(A) is a necessity good. (C) is used for a short instant of time.

(B) is a luxury good. (D) has no close substitute.

6. Consider a market for a kilogram of sugar. When the price of sugar is Birr 20 per kilogram, consumers buy 6 kilograms of sugar per week. When the price rises to Birr 24 per kilogram, consumers buy 4 kilograms of sugar per week. The price elasticity of demand for sugar using are method is

(A) 0.22 (B) 22 (C) 2.2 (D) 0.022

7. **ONLY ONE** of the following is true about the effect of change in supply and demand on equilibrium price. Which one is it?

(A) If the increase in supply is greater than the increase in demand, the equilibrium price rises.

(B) If the increase in demand is greater than the increase in supply, the equilibrium price rises.

(C) If the increase in demand is equal to the increase in supply, the equilibrium price rises.

(D) If the increase in demand is less than the increase in supply, the equilibrium price rises.

8. Individual demand an supply functions for a commodity are given respectively as $Q^d = 100 - 20p$ and $Q^S = 40p - 120$, where Q refers to the quantity and p refers to price. If there are 20 buyers and 10 suppliers of the commodity, the equilibrium quantity and price are _____ and _____ respectively.

(A) (40, 40) (B) (4,400) (C) (400,4) (D) (4,20)

9. Suppose the market for a commodity is initially at equilibrium. All other things remaining the same, increase in consumer income will _____ of the commodity.

(A) decrease the market demand (C) not affect market demand

(B) increase the market demand (D) decrease market supply

10. Movement along the demand curve is called _____

(A) the law of demand (C) consumption function

(B) consumers demand correspondence (D) utility function

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UNIT TWO

1. Which one of the following statements is true about the supply schedule?

(A) The market supply schedule for a commodity is vertical summation of the individual supply schedules.

(B) The market supply schedule for a commodity is horizontal summation of the individual supply schedules.

(C) The individual supply schedule for a commodity is horizontal summation of the market supply schedules.

(D) The individual supply schedule for a commodity is vertical summation of the market supply schedules.

2. Which of the following is a correct statement about the law of demand? All others remain constant.

(A) change in income results in movement along the demand curve.

(B) the quantity demand of a commodity is directly related to its own price.

(C) the quantity demand of a commodity is inversely related to its own price.

(D) the quantity demand of a commodity is inversely related to the income of the individual.

3. What happens to market equilibrium when consumers' income increases while supply curve of producers remains the same?

(A) The equilibrium point shifts to the right with higher price and quantity.

(B) Equilibrium quantity and price shift to the left and above the previous point.

(C) The equilibrium point shifts down to lower price with the same quantity.

(D) The position of equilibrium remains the same irrespective of changes in the supply curve.

4. If the price elasticity of a particular good is 3, which one of the following statement is true?

(A) If price of goods declines, total revenue from sales declines.

(B) When price increases or decreases, total revenue does not change.

(C) With increase in price of the good, total revenue from sales increases.

(D) When price of the good increases, total revenue form sales declines.

5. If the cross price elasticity for a good is near zero and own price elasticity is less than one, which one of the following best describes the good?
   (A) The good is probably a luxury good with no substitute.
   (B) The good is likely a necessity good with no substitute.
   (C) The good is certainly luxury good with complements.
   (D) The good may be a necessity good but with ample substitute.
6. In a market for a given commodity, the quantity demanded was 14 units when the market was 6 units. When price was increased to 8 units, the quantity demand was decreased to 12 units. What is the elasticity of demand?
   (A) 7/13 (C) 7/6
   (B) 3/4 (D) 133/7

Item 7 & 8 are to be attempted by visually impaired candidates only

7. All other things remaining constant, what causes shift in the supply curve of a commodity?
   (A) Income of the producers. (C) Own price of the commodity.
   (B) Income of the consumers. (D) Technological improvement.
8. What causes movement along the demand curve of a commodity?
   (A) The own price of the commodity. (C) Prices of the other commodities.
   (B) The income of the consumer. (D) Taste of the consumers.

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UNIT TWO

1. Which one of the following best describes market equilibrium?
   A. A situation in which quantity demanded is less than quantity supplied.
   B. A situation in which quantity demanded is equal to the quantity supplied.
   C. A situation in which quantity demanded is greater than quantity supplied.
   D. A situation in which non crossing demand and supply curves exist.
2. Which one of the following is the effect of increasing price on total revenue when the demand in price inelastic? Total revenue
   A. Is indeterminate B. Remains constant C. increases D. declines
3. Which one of the following is true about the relationship between individual and market demand curves?
   A. Individual demand curve is vertical summation of market demand curves.
   B. Market demand curve is horizontal summation of the individual demand curves.
   C. Market demand curve is vertical summation of the individual demand curve.
   D. Individual demand curve is horizontal summation of the market demand curve.
4. Which of the following is the best application of the law of supply?
   A. The decline of the price of biscuits following the rise in number of producers of biscuits.
   B. The price of biscuits declined following the decline in number of producers of the good.
   C. The quantity of biscuits declined following the decline in price of biscuit
   D. The piece of biscuit declined following the decline of the number of consumers of biscuits.
5. Which one of the following best describes the difference in price elasticities of demand for an essential good and luxury good?
   A. Price elasticity of demand for essential good is greater than that of luxury good.
   B. Price elasticity of demand for essential good is less than that of luxury good.
   C. Price elasticity of demand for essential and luxury goods is more or less the same.
   D. Price elasticities of goods cannot be described for luxury and essential goods.
6. The price elasticity of the market supply of commodity "X" is less than that of commodity "Y". Which one of the following describes the percentage changes in quantity of Y and that of X after an equal percent change in the price of both commodities?
   The percentage change in quantity of
   A. Both of the goods will be equal. C. Any of the goods cannot be known.
   B. X will be greater than that of Y. D. Y will be greater than that of X.

7. Which one of the following is the best description for stable market equilibrium?
   A. At the equilibrium price, supply quantity tends to increase to a higher level than the demanded quantity.
   B. At equilibrium price, if supply quantity is disturbed, it tends to be equal to demanded quantity.
   C. At equilibrium quantity, if disturbed, the price tends to increase above equilibrium price.
   D. At equilibrium quantity, a disturbance that lowers the price trends will further push prices down.
8. Which of the following is a correct description of the market supply of a commodity with price elasticity greater than one?
   A. An increase of price by fifty percent increases the supply quantity by more than fifty percent.
   B. A price increase by fifty percent increases the supply quantity by less than fifty percent.
   C. A fall in price by fifty percent decreases the supply quantity by less than fifty percent.
   D. A fall in price by fifty percent increases the supply quantity by less than fifty percent.
9. The market supply quantity (Q_s) and the market demand quantity (Q_d) are given as $Q_s = a + bP$ and $Q_d = c - hP$ respectively, where P is the price of the good and a, b, c, and *h* are constants. Which one of the following correctly expresses equilibrium price (P_e)?
   A. $P_e = \left(\frac{a-c}{b-h}\right)$ C. $P_e = \left(\frac{c-a}{h-b}\right)$
   B. $P_e = \left(\frac{c-a}{b+h}\right)$ D. $P_e = \left(\frac{a+c}{b-h}\right)$
10. A restaurant sells 1000 cups oc coffee and 1500 cups of tea per day for 10 birr and 7 respectively. Prices in town increased to 12 birr for coffee and 9 birr for tea and the restaurant increased is coffee sales to 1200 and the tea sales to 1700 cups.
    A. Coffee supply is unitary elastic while tea supply is inelastic.
    B. Coffee supply is price inelastic while tea supply is price elastic.
    C. Tea supply is unitary elastic while coffee supply is inelastic.
    D. Both tea and coffee supply are inelastic.
11. Which one of the following best describes the nature of a product the supply price of which is always greater than the price for the demanded quantity?
    A. The product is affordable to buyers and highly viable.
    B. Producers produce the product at low cost while consumers are unwilling to buy it.
    C. The production of that product is not viable.
    D. Buyers are willing to buy it while producers are unwilling to sell.

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UNIT THREE

1. Which of the following is true about utility?
   A. Successive units of a given commodity give a consumer the same level of utility
   B. Utility refers to satisfaction, which a consumer gets from consuming food and services
   C. The level of utility obtained from consuming a given bundle of goods and services is the same for all consumers
   D. Total utility obtained by a consumer from consuming a given bundle of goods and services is the same regardless of time of consumption
2. Which of the following is correct about cardinal and ordinal utility theories?
   A. Both theories are based on the assumption that utility is measurable in absolute terms
   B. The rationality assumptions on which the two theories are based make different assertions with regard to the two theories
   C. Both theories are based on the premise that the numerical difference between two levels of satisfaction is needed to study consumer behavior
   D. Ordinal utility theory is based on the assumption that it is sufficient to rank utilities whole the cardinal utility theory is based on the assumption that utility is a measurable concept.
3. Which of the following is true about modern utility theory?
   A. Utility is measurable
   B. It accepts ordinal ranking of preference
   C. The total utility curve can never decline

D. Marginal utility is directly proportional to the amount of good consumed

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UNIT THREE

1. When income of the consumer rises, the budget line moves:
   (A) in wards by the same proportion as the increase in purchasing power.
   (B) outwards by the same proportion as the increase in purchasing power.
   (C) outwards by proportion less than the increase in purchasing power.
   (D) outwards by proportion more than the increase in purchasing power.
2. For a person consuming a certain good, piece by piece, and who has reached a stage where she/he has no more desire to consume, what is the best conclusion that can be made about marginal and total utility of the person at this stage?
   (A) Total utility is zero and marginal utility is maximum.
   (B) Marginal utility is zero and total utility is maximum.
   (C) Marginal utility has reduced to the average utility.
   (D) Marginal utility is still greater than average utility.
3. Which of the following statement describes utility best?
   (A) The marginal utility derived from the consumption of a goo increases as consumption increases.
   (B) The total utility derived from the consumption of a good does not increase as consumption increases.
   (C) The average utility derived from the consumption of a good increases as consumption increases linearly.
   (D) the total utility derived from the consumption of a good increases up to a certain point as consumption increases.

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UNIT THREE

1. Which of the following is true about utility?
   (A) Average utility is always positive.
   (B) Marginal utility is always positive.
   (C) In cardinal utility theory, the law of diminishing marginal utility is not applicable.
   (D) In ordinal utility theory, the law of diminishing marginal utility is not applicable.
2. Which of the following relates marginal utility with total utility?
   (A) Marginal utility is the change in total utility per unit time.
   (B) Total utility is the multiple of marginal utility and the number of consumers.
   (C) Marginal utility is the change in total utility per unit change in quantity consumed.
   (D) Total utility is the difference between the maximum and the minimum utility.
3. If a theoretical argument insists that we can only rank utilities, what is the assumption taken about utilities?
   (A) Utilities are both ordinal and cardinal.
   (B) Utilities are ranked across different individuals.
   (C) Utilities are objective, but have no units to measure them.
   (D) Utilities are subjective and can only be compared for an individual.
4. The law of diminishing marginal utility is associated to one of the flowing.
   (A) Horizontal supply curve.
   (B) Horizontal demand curve.
   (C) Upward sloping supply cure.
   (D) Downward sloping demand curve.

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UNIT THREE

1. Which one of the following statements about utility is correct?
   A. Marginal utility can take negative value.
   B. Total utility can be negative.
   C. Average utility often takes negative value.

D. The product of average and total utilities is negative.

2. Which one of the following is the best reason for choosing ordinal utility rather than cardinal utility in consumer behavior analysis?
   A. Utility differs from individual to individual and does not have unit of measurement.
   B. Utility of different individuals has a common cardinal measure, but we don't know that measure.
   C. Ordinal measures of utility of different individuals measure increases in utility but not declines in utility.
   D. There are common measures of utility of different individuals and ordinal measure is an additional measure.
3. Assuming a declining marginal utility of money, by how much would total utility increase when a person consumes an additional 10 birr worth god?
   A. Equal to the Increase in marginal utility, which is 10 birr.
   B. Less than 10 birr, but we don't know by how much less.
   C. Greater than 10 birr, but we don't know by how much more.
   D. Equal to half the increase in marginal utility, which is 5 birr.
4. Which one of the following is the best expression for the marginal utility derived from the consumption of a good in terms of the quantity consumed "x" and a positive constant "a"?
   A. $\frac{(a-x)}{x}$ B. x^2-a C. $-\frac{2x}{a}$ D. x1/2-a

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UNIT FOUR

1. Which of the following is a correct statement about different types of returns to scale?
   A. If output doubles when all inputs are tripled, it shows the case of increasing returns to scale
   B. If output doubles when all inputs are less than doubled, it shows the case of constant returns to scale
   C. Decreasing returns to scale means output will decrease when all inputs increase by the same proportion
   D. If output increases by 50% when all inputs are increased by 20%, it shows the case of increasing returns to scale.
2. Which of the following is true about short-run average and marginal costs?
   A. Average fixed costs is constant since fixed cost does not vary with output
   B. Both average total costs and average variable cost fall as long as marginal cost lies above them
   C. Average total cost, average variable cost and marginal cost curves are all u-shaped because of different reasons
   D. The vertical distance between average total cost curve and average vaiable cost curve equalt average fixed cost.
3. 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 unite the marginal product per unit price of each input is equalized
4. Which one of the following is a WORNG statement about the neo-classical production function?
   A. It is a purely physical relationship
   B. It relates to a given state of technology
   C. It satisfies the law of diminishing returns
   D. The maximum output is obtained at a point of maximum marginal physical product
5. The least cost rule of producing each level of output in the long-run states that $\frac{MP_L}{P_L} = \frac{MP_K}{P_K}$, where MP_L and MP_K are marginal products of labor and capital, respectively; and P_L and P_K are the unit prices of labor and capital inputs, respectively. If a particular producer observes that $\frac{MP_L}{P_L} > \frac{MP_K}{P_K}$ he/she should _____, in order to minimize cost.
   A. Reduce both labor and capital inputs
   B. Increase both labor and capital inputs
   C. Reduce labour input and increase capital input
   D. Increase labour input and reduce capital input

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UNIT FOUR

1. The total cost (TC) of a perfectly competitive firm is given by $TC = 2 + 4Q + Q^2$, where Q = output. Therefore, the average fixed cost and the average variables costs when Q = 1 unit are _____ and _____ respectively.
   (A) (2,7) (B) (7,2) (C) (2,5) (D) (5,2)
2. Graphically, the effect of innovation can be shown with _____ shift of the production function.
   (A) horizontal (B) downward (C) no (D) upward
3. Production function is a _____ relationship between input and output.
   (A) monetary (B) profit (C) technological (D) price

4. Given $[MP_K, P_K]$ respectively, where MP_L is the marginal product of labor, P_L is price of labor MP_K is the marginal product of capital, P_K is price of capital.
   Which of the following is a least cost production state of a firm?
   (A) $[100,25]$ and $[100,50]$ (C) $[200,50]$ and $[100,75]$
   (B) $[100,50]$ and $[200,100]$ (D) $[200,100]$ and $[100,2000]$
5. Average variable cost and total product of labor are _____ related.
   (A) inversely (B) directly (C) proportionally (D) constantly

The unit market price faced by a perfectly competitive firm is 20 Birr while the marginal costs of production for various levels of production are as follows:

Quantity of production	100	110	120	130	410
Marginal costs of production	12	15	20	28	35

6. On the basis of the above information, what is the profit maximizing level of output?
   (A) 110 (B) 120 (C) 130 (D) 140
7. A firm producing 500 units of output, with 20 units of capital and 100 units of labor, planned to expand its production to 750 units of output using 30 units of capital and 150 units of labor. What type of returns to scale is assumed in the planning?
   (A) Increasing (B) Decreasing (C) Constant (D) Mixed
8. a production firm, that was producing 9 units of good X and 6 unit of good Y, using all its resources, changed the composition of the goods produced to 10 units of good X and 2 units of good Y. How much is the opportunity cost of increasing a unit of good X?
   (A) $1/4$ (B) $8/3$ (C) $3/8$ (D) $4/1$

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UNIT FOUR

1. Which one of the flowing statements is true about short-run and long-run in theory of production and cost?
   (A) Short-run is a period less than one year.
   (B) Long-run is a period more than one year.
   (C) In the long-run, all factors of production are variable.
   (D) In the long-run, some factors of production are variable and some are fixed.
2. Which of the following factors increases labor productivity?
   (A) that use less labor (C) with constant output-labor ratio.
   (B) that use more labor. (D) that use same skilled labor but more unskilled labor.

3. If a short-run production function that relates output and labor is expected to shift upward with technological change, which one of the following is assumed to hold?
   (A) Labor and capital are not affected by technology.
   (B) Technology is not associated with capital, but with labor.
   (C) Output is unaffected by labor, but affected by technology.
   (D) Capital is changing, but does not have impacts on technology.
4. Which of the following is the total cost of production?
   (A) The sum of explicit and implicit costs.
   (B) The average of implicit and explicit costs.
   (C) The sum of variable costs and marginal costs.
   (D) The difference of long run and short run costs.
5. At production level where marginal product is at its maximum, what conclusion may be made about the marginal cost of production at that level? Marginal cost of production
   (A) is at its maximum.
   (B) is at its minimum.
   (C) is greater than average cost.
   (D) has no relation with marginal product.

Item 6 & 7 are to be attempted by sighted candidates only

6. A firm has the following total cost function:
   $TC=200+Q-Q^2+Q^3$
   Where TC refers to total cost in thousand Birr and Q refers to quantity produced in liter of oil. What are the Total Fixed Cost, Total Variable Cost and Marginal Cost respectively when Q = 2 liters?
   (A) 9,200 and 6 (B) 200, 6 and 9 (C) 6, 9 and 200 (D) 200, 9 and 6
7. Stages **I** and **II** of production are separated at output levels when Average Product (AP) and Marginal Product **(MP)** are equal. Stages **II** and **III** are separated at output levels when **MP** is zero and **AP** is greater than zero. Which one of the following is true about Stage **I**?
   (A) Marginal Product is negative.
   (B) Average Product is at its maximum.
   (C) Marginal Product is greater than Average Product.
   (D) Average Product is greater than Marginal Product.

Item 8 are to be attempted by visually impaired candidates only

8. All other tings remaining constant, as total quantity of production increases, what will happen to the average cost of production? It will _____.
   (A) decrease (B) remain constant (C) increase (D) shift to the right

2008 E.C for Grade 11

UNIT FOUR

1. Which one of the following best describes the relationship between total quantity of production and the fixed cost of production? As total production increases fixed costs per unit
   A. Remain indeterminate B. Remain constant C. decline D. increase
2. Which one of the following is the direction of change of market equilibrium price when costs of production of all producers decline while all other things remain constant?
   A. Rises B. remains constant C. declines D. indeterminate
3. Which one of the following is the best description of production in the long run? As inputs increase
   A. Total products of both labor and capital decline.
   B. Total product of capital is declining while total product of labor is rising.
   C. Marginal products of both labor and capital shift.
   D. Marginal product of labor shifts down while marginal product of capital shifts up.
4. Which one of the following correctly differentiates production in the long run and in the short run?
   A. In the long run, there are variable and fixed costs of production while in the short run all costs are variable.
   B. Long run production does not take less than 10 years while short run production does not take more than 5 years.
   C. In the short run, there are variable and fixed costs of production while in the long run all costs are variable.
   D. Production in the long run and in the short run differ only in the quantity produced.

5. Which one of the following is implied by the attainment of highest level of average productivity in the short run?
   A. Average cost is minimum
   B. Total product is maximum
   C. marginal product is maximum
   D. total cost is minimum
6. In a production function, $TP = AL^{0.5}$, TP = 500 when L is 25. Which one of the following correctly expresses the total product (TP), the average product (AP), and the marginal product (MP) when labor (L) is 64.
   A. TP = 600, AP = 25/2, MP = 25/4
   B. TP = 800, AP = 25/2, MP = 25/4
   C. TP = 800, AP = 25/4, MP = 25/2
   D. TP = 600, AP = 25/4 , MP = 25/2
7. Which one of the following best describes any of the relationships between total product (Q), marginal product (MP), average product (AP), average cost (AC) and marginal cost (MC)?
   A. MC continues decreasing as AC increases.
   B. AC keeps on decreasing as Q decreases.
   C. MP keeps on declining after AP equals MP.
   D. MC remains less than AC after AC has reached its minimum.
8. Which one of the following best expresses the effect of a single time change in technology that reduced the cost of production of a commodity?
   A. The demand curve shifts to the right.
   B. Both demand and supply shift to the right.
   C. The supply curve shifts to the left.
   D. The supply curve shifts to the right.

2004 E.C for Grade 11

UNIT FIVE

1. Which of the following is a distinctive feature of monopolistic competition?
   A. Product differentiation
   B. Profit – maximization rule
   C. Freedom of entry and exist
   D. Number of sellers and buyers
2. If food grains are generally price inelastic, what is the likely effect of a season's bumper haves that significantly reduces farm prices?
   A. Increased total revenue
   B. Increased total income
   C. Decreased total revenue
   D. Increased total expenditure

2006 E.C for Grade 11

UNIT FIVE

1. Assume a monopolistically competitive firm facing the same average and marginal costs with a perfectly competitive firm. If the profit maximizing level of output of the perfectly competitive firm is 1000 units, what is the likely profit maximizing level of the monopolistically competitive firm?
   (A) Equal to 1000 (B) Greater than 1000 (C) Less than 1000 (D) Equal to 2000
2. A pure monopolist face demand function where P=10-1/2Q and her cost function is given by $TC=1+20Q^2$. The profit maximizing level of output and the corresponding profits are _____ and _____.
   (A) (2,9) (B) (9,2) (C) (18,2) (D) (2,18)
3. Let AR= Average Revenue = Birr 2 and MR = Marginal Revenue of a perfectly competitive firm and also, le t P = market price. Then, ONLY one of the following shows the true relationship among AR, MR and P.
   (A) 2=MR=P (B) 2=MR>P (C) P>2 (D) 2>MR>P

2007 E.C for Grade 11

UNIT FIVE

1. In a perfectly competitive markets, one of the following is true.
   (A) Products are heterogeneous.
   (B) Entry and exit are restricted.
   (C) There are large number of buyers and sellers.
   (D) There are very few numbers of buyers and sellers.
2. A quantity of a product sold in a market by a pure monopoly firm is less than the quantity that would be sold if the market were pure competition. Which one of the following is the basic assumption made to arrive at this conclusion?
   (A) A monopoly is a profit maximizing firm.
   (B) A single producer gains recognition by reducing quantity.
   (C) A monopoly does not take social well being into consideration.
   (D) A single producers is not able to produce the quantity demanded by society.

3. The profit maximization condition under monopolistically competitive condition Marginal Revenue is
   (A) equal to rising Long Run Marginal Cost.
   (B) less than rising Long Run Marginal Cost.
   (C) equal to falling Long Run Marginal Cost.
   (D) greater than falling Long Run Marginal Cost.

2008 E.C for Grade 11

UNIT FIVE

1. In which one of the following market structures individual firms do **NOT** have power to decide the price of the goods they produce?
   A. Competitive B. Monopoly C. Monopolistic D. Oligopoly
2. In which one of the following market structures does a producer face the entire demand curve?
   A. Pure competition B. monopolistic C. oligopoly D. pure monopoly
3. Which of the following is applicable only to perfectly competitive firms?
   A. Marginal product is equal to marginal cost.
   B. Marginal revenue is equal to price.
   C. Average product is average revenue.
   D. Marginal revenue is equal to marginal product.
4. If the total cost of production of a monopoly firm is 100 units while the cost to society is 120 units. Which of the following is the correct external cost of production?
   A. 20 units B. 220 units C. 110 units D. 10 units
5. Which one of the following best describes the characteristic of a pure monopoly firm?
   A. The marginal cost curve is the supply curve of the firm.
   B. The price curve is greater than the marginal revenue curve.
   C. The profit maximizing quantity is greater than that of a competitive market.
   D. The profit maximizing price is equal to the marginal revenue.
6. Which one of the following best describes the causes of cost-push inflation?
   A. Declining income of consumers. C. declining cost of inputs.
   B. Rising income of consumers. D. rising input prices.
7. Which one of the following cause of inflation is NOT related to growth of money supply?
   A. Supply shock that reduces output C. increased use of deficit financing.
   B. Fast expansion of credit. D. increased government expenditure.
8. Which one of the following best describes an oligopoly market structure?
   A. Each firm is small and there is no element of interdependence in the decision making.
   B. Each firm is large and there is an element of interdependence in the decision making.
   C. There are many small firms and there is no element of interdependence in the decision making.
   D. Firms are small and big where there is element of technological interdependence between small and big ones.
9. Which one of the following condition leads to the rise of equilibrium market price of a commodity? When
   A. The percentage rise in costs of production is less than the percentage decline in income of producers.
   B. The percentage rise in income of consumers is greater than the percentage decline in production cost.
   C. The percentage decline in income of consumers is greater than the percentage rise in production cost.
   D. The percentage decline in the cost of production is equal to the percentage rise in income of consumers.

2004 E.C for Grade 11

UNIT SIX

1. The economic cost of unemployment is _____.
   A. Increasing suicide rate
   B. High competition for limited jobs
   C. Dependence on families and friends
   D. Loss of output and lower welfare levels caused by resource underutilization

2. The combined manifestation of cost-push and demand-pull inflation in an economy can be expressed in terms of _____.
   A. Periodic shifts of both aggregate demand and supply curves to the left
   B. Constant shifts of both aggregate demand and supply curves to the right
   C. A shift of aggregate supply curve to the right and aggregate demand curve to the left
   D. Constant shifts of aggregate supply curve to the left and aggregate demand curve to the right

2006 E.C for Grade 11

UNIT SIX

1. Inflation could arise from
   (A) reduced government expenditure. (C) reduced prices of factor inputs.
   (B) reduced total output. (D) reduced price of final goods.
2. **ONLY** one of the following is **TRUE** about the adverse effects of unemployment on an economy. Which one is it?
   (A) Decrease in poverty (C) increase in morality
   (B) Reduced output (D) Gain of valuable human resources

2007 E.C for Grade 11

UNIT SIX

1. One of the problems of macro-economics is _____.
   (A) inflation (B) drought (C) shortage of food (D) environmental degradation
2. Which of the following is the best example of unemployed person?
   (A) A person without job, willing to work and looking for a better job.
   (B) A person with job, able to work, willing to work and looking for a better job.
   (C) A person without job, able to work, willing to work and looking for a job.
   (D) A person without job, able to work but not willing to work at the existing wage rate.
3. Which of the following best expresses demand pull inflation?
   (A) Nominal incomes increase and price rises follow.
   (B) Prices increase without increases in nominal income.
   (C) Prices increase with shortage in inputs for production.
   (D) Unemployment increases and prices increase following that.

2008 E.C for Grade 11

UNIT SIX

1. Which one of the following terms describes the phases of business cycle in which the economy's output is at its maximum level?
   A. Contraction B. boom C. recovery D. depression
2. Which one of the following is the concern of macroeconomics?
   A. General level of prices and consumption C. input markets for industries of the country.
   B. Factors affecting firms productivity. D. the effect of taxation on industrial performance.

2004 E.C for Grade 11

UNIT SEVEN

1. Which one of the following is NOT a method of GDP estimation?
   A. The income method C. The expenditure method
   B. The product method D. The net present value (NPV) method
2. The problem associated with informal sector in measuring GDP is _____.
   A. The sector is engaged in illegal activities that are outlawed
   B. Their economic activities are insignificant to be considered in estimating GDP
   C. Lack of proper accounts for their economic activities makes it difficult to get data to estimate their contribution to GDP
   D. They particularly produce for self-consumption that it is difficult to estimate the quantities and values of their production

2006 E.C for Grade 11

UNIT SEVEN

1. What explains best the exclusion of informal activities from GDP?
   (A) Informal activities are unproductive.
   (B) It is difficult to obtain data on informal activities.
   (C) Informal activities are services for own consumption.
   (D) People working in informal activates do not pay taxes.

In the national accounts the nominal GDP of a country as rising fast for consecutive many years while the real GDP was declining in the same period. The record was not showing an increasing consumer price index (CPI) in the same period.

2. Based on the information given above, what is the best conclusion that may be made?
   (A) The given data on CPI, nominal and real GDP are not compatible.
   (B) Declining real GDP can go with constant or declining CIP.
   (C) Increasing nominal GDP can go with constant CPI.
   (D) Increasing nominal GDP can go with declining CPI.
3. Which of the following group of activities create conceptual problem in measuring GDP?
   (A) Agricultural and hunting activities, handicrafts and fishing.
   (B) Private consumption, government consumption, and service export.
   (C) Production of services for self consumption, begging by singing, and freely given services.
   (D) Production of marketed services for consumption, production of services for export and domestic consumption from natural resources.

In developing country context public investment and private investment and private investment are complementary. The focus of public investment is on infrastructure and social sector while that of the private sector is largely on machinery and equipment, factories and inventories.

4. Based on the above description, which of the following is the best conclusion to be made?
   (A) Public investment precedes private investment for rapid economic growth to happen.
   (B) Investments on roads, power supplies, education and health facilitate private investments.
   (C) When economic growth is fast, private investments lead investments on roads, power supplies, education and health.
   (D) Public investment is more important for growth than private investment.

The following questions (5-6) are for sighted candidates only

Use the following abbreviations to answer question number 75.

Gross Domestic Product = GDP	Personal Income = PI,
Net Factor Income = NFI,	Corporate Taxes = CT,
Indirect Taxes = IT	Gross National Product = GNP

5. Which of the following expression correctly defines GNP?
   (A) GDP+IT (B) IT+CT+GDP (C) PI+GDP (D) GDP+NFI
6. If the Consumer Price Index (CPI) in 2012 was 150 and that in 2013 was 180, what was the rate of inflation?
   (A) 25% (B) 20% (C) 50% (D) 85%
7. Which of the following is true about the relationship between nominal GDP, real GDP and the Consumer Price Index?
   (A) Nominal GDP is equal to the real GDP multiplied by the Consumer Price Index.
   (B) Nominal GDP is equal to the real GDP divided by the Consumer Price Index.
   (C) Real GDP is equal to the nominal GDP multiplied by the Consumer Price Index.
   (D) Consumer Price Index is equal to the real GDP multiplied by the nominal GDP.

2007 E.C for Grade 11

UNIT SEVEN

1. Which one of the following is true about Net Domestic Product?
   (A) It is the net market value of the final goods and services produced in the domestic territory of a country during a year.
   (B) It is the gross market value of the final goods and services produced in the domestic territory of a country during a year.
   (C) It is the net market value of the final good and services produced outside a country during a year.
   (D) It is the net market value of the final goods and services produced in the domestic territory of a country during the previous year.

2. The Nominal GDP of an economy in the year 1996 was 28,300 million Birr. If the consumer price index during the same year was 200, the real GDP of that economy in 1996 was _____ million Birr.
   (A) 14.15 (B) 141.5 (C) 1415 (D) 14150
3. Which of the following is always true?
   (A) Nominal GDP is equal to the real GDP.
   (B) Nominal GDP is less than the real GDP.
   (C) Nominal GDP is less than the real GDP during the time of inflation.
   (D) Nominal GDP is greater than the real GDP during the time of inflation.

2008 E.C for Grade 11

UNIT SEVEN

1. Which one of the following best describes nominal GDP?
   A. GDP measured in real terms.
   B. GDP measured at current market prices.
   C. GDP measured at base year prices.
   D. GDP reflecting future price developments.
2. Which one of the following statement best expresses the use of GDP as indicator?
   A. Decline in GDP directly indicates the degradation of the environment.
   B. Growth of GDP directly indicates growth of employment in the economy.
   C. Decline in GDP indicates the fall in per capita income for a constant population size.
   D. Growth of GDP indicates the rise of per capita income for increasing population.
3. Which one of the following best relates Gross National product, Gross Domestic product, and Net Factor Income from abroad?
   A. Gross National product is the difference between Gross Domestic product and Net Factor Income.
   B. Gross Domestic product is the sum of Gross National product and Net Factor Income from abroad.
   C. Gross National Product is the sum of Gross Domestic product and Net Factor Income from abroad.
   D. Net Factor Income is the sum of Gross National product and Gross Domestic product.

2004 E.C for Grade 11

UNIT EIGHT

1. Which one of the following is NOT a key determinant of economic growth?
   A. Investment B. Consumption C. Technology D. Human resource
2. The missing elements in the aggregate identity
   Y = consumption + Investment + Net exports is _____.
   A. national debt B. government spending C. household saving D. government debt
3. which of the following is a true statement?
   A. Net saving can be negative
   B. What a household is not spending is consumed
   C. Saving is a decreasing function of national income
   D. Disposable income is the difference between saving and consumption
4. Which one of the following investment does NOT affect economic growth directly?
   A. Building of new factories
   B. Investment in infrastructure
   C. Investment in new machinery and equipment
   D. Provision of education, training and public health

2006 E.C for Grade 11

UNIT EIGHT

1. If the consumption function of an individual is given as $C=100+0.65Y_d$ Birr, where C represents consumption per period and Yd represent the individual's disposable income per period. If the individuals disposable income for a specific period was 1000 Birr, the saving of the individual during the same period is _____ Birr.
   (A) 750 (B) 350 (C) 250 (D) 650

2. In the saving function $S = a + bY_D$, where S is saving and Y_D is disposable income, which of the following descriptions of constants "a" and "b", are valid?
   (A) "a" and "b", are negative constants
   (B) "a" and "b" are positive constants
   (C) "a" is negative constant while "b" is positive constant
   (D) "a" is positive constant while "b" is negative constant
3. If consumption is greater than income which of the following is true?
   (A) The consumption is mainly induced rather than autonomous.
   (B) The autonomous part of consumption is greater than the induced.
   (C) Both autonomous and the induced consumptions are equal.
   (D) When consumption is greater than income, income is bound to decline.

The following questions are for visually impaired candidates only

4. The extra consumption from extra unit of disposable income is called _____.
   (A) average propensity to consume
   (B) marginal propensity to consume
   (C) autonomous consumption
   (D) total consumption

2007 E.C for Grade 11

UNIT EIGHT

1. Which one of the following increases saving?
   (A) Rise in expected price.
   (B) Decrease in disposable income.
   (C) Decrease in income inequality.
   (D) Increase in disposable income.
2. An investment which is made irrespective of income level is called _____.
   (A) Total (B) Autonomous (C) Induced (D) Average

Item 3 are to be attempted by sighted candidates only

3. If the consumption function of a given individual is given as C= 500+0.80Yd Birr, Where C represents consumption per period and Yd represents the individual's disposable income per period. If the individuals disposable income for a specific period was 10000 Birr, the saving of the individual during the same period is _____ Birr.
   (A) 850 (B) 8500 (C) 150 (D) 1500
4. The consumption, when income is zero, is called _____ consumption.
   (A) average (B) marginal (C) total (D) autonomous

2008 E.C for Grade 11

UNIT EIGHT

1. Which one of the following factors increases domestic consumption?
   A. Decline in population.
   B. Widening income gaps.
   C. increase in disposable income.
   D. rise in general level of prices.
2. Which one of the following is a term used to describe consumption level attained independent of disposable income?
   A. Total B. autonomous C. constant D. marginal
3. Which one of the following factors is **NOT** responsible for outward shifting of the market demand curve for a commodity?
   A. Decline in the price of the commodity.
   B. Expectation of the rise in prices.
   C. rise in nominal income of consumers.
   D. increase in the number of consumers.
4. Saving is expressed as the sum of a fraction of disposable income and a constant term. Which one of the following is true about zero-saving?
   A. The constant term is positive and disposable income is negative.
   B. The constant term is negative while the fraction of disposable income is equal in magnitude but positive.
   C. The constant term is positive and fractional disposable income is negative
   D. The fraction of disposable income is positive and less than the negative constant term in magnitude.

2006 E.C for Grade 11

UNIT NINE

1. Which one of the following is a correct statement about Ethiopian investor who purchases foreign shares?
   (A) The share becomes part of the current account Ethiopia.
   (B) The share enters the balance of payments of Ethiopia as capita account item.
   (C) The share enters the balance of payments of Ethiopia as are item of trade balance.
   (D) The share is part of net transfers in the balance of payments of Ethiopia.
2. Which one of the form of trade barrier is more transparent?
   (A) Tariff (B) Quota (C) Oral restriction (D) Written restriction

Country "A" is cotton and human labor rich and is specializing in textile manufacturing. Country "B" has large areas of water bodies and is specializing in canned fish production and export. Country "C" is capital rich and is specializing machinery production.

3. On the basis of the above information, one of the following serves as the best basis of trade.
   (A) Comparative advantage
   (B) Absolute cost advantage
   (C) Both comparative and absolute cost advantage
   (D) Specialization is the source of trade
4. Which of the following could possibly be the comparative advantage of Ethiopia in the globalization process?
   (A) The accumulation of acquired superior knowledge in the country from time to time.
   (B) The stock of natural resource and labor endowment in the country.
   (C) The stock of cultural and historical heritage of the country.
   (D) The stock of agricultural and rural labor that easily be converted to skilled labor in the modern sector.

5. Which of the following has been persistently positive in the Ethiopian Balance of Payment (BOP) account since 1992/93?
   (A) Overall balance
   (B) Errors and omissions
   (C) Private transfers
   (D) Current account balance
6. Balance of payment deficit can arise if the
   (A) deficit in the current account is less than surplus in the capital account.
   (B) deficit in the current account is more than surplus in the capital account.
   (C) surplus in the capital account is more than the deficit in the current account.
   (D) surplus in the capital account is equal to the deficit in the current account.

2007 E.C for Grade 11

UNIT NINE

1. Which of the following is component of the current account section of the balance of payment?
   (A) Trade balance
   (B) Official transaction
   (C) Direct investment
   (D) Private transaction
2. Which of the following affects the balance of payments of a country directly?
   (A) Changes in import and export.
   (B) Changes in internal trade and production.
   (C) Changes in consumption and investment.
   (D) Changes in tax revenues and capital expenditure.
3. Which of the following is a true statement?
   (A) When exports are less than imports, the country has trade surplus and GDP rises.
   (B) When exports are more than imports, the country has trade deficit and GDP rises.
   (C) When exports are more than imports, the country has trade surplus and GDP rises.
   (D) When imports are more than exports, the country has trade surplus and GDP rises.
   (E) When imports are more than exports, the country has trade deficit and GDP rises.
4. A country facing trade deficit, where imports are much greater than exports, which of the following tends to reduce the deficit?
   (A) Fixing the exchange rate.
   (B) Floating the exchange rate.
   (C) Revaluation of domestic currency.
   (D) Devaluation of domestic currency.

5. If Ethiopia produces both wheat and textile at a higher cost than United States of America does, which of the following is the likely pattern of trade between the two countries?
   (A) No trade id possible between the two countries in these goods.
   (B) Ethiopia exports textile and imports wheat if the relative cost of production of textile to wheat is less than the relative cost in United States of America.
   (C) Ethiopia exports wheat and imports textile if the relative cost of production of textile to wheat is less than the relative cost in United States of America.
   (D) Ethiopia imports both textile and wheat even if the relative cost of production of textile to wheat is less than the relative cost in United States of America.

2008 E.C for Grade 11

UNIT NINE

1. Which one of the following holds if the difference between the values of exports is greater than that of imports of goods and services?
   A. The current account component of the balance of payments will improve.
   B. The capital account component of the balance of payment will improve.
   C. The current account component of the balance of payment will deteriorate.
   D. The capital account component of the balance of payments will deteriorate.
2. Which one of the following is true about trade restrictions?
   A. Tariffs are restrictions mainly applied in domestic trade.
   B. Quotas are not restrictions applied on international trade.
   C. Quotas and tariffs are widely applied restrictions on international trade.
   D. Quotas and tariffs enhance international trade but restrict domestic trade.
3. Trade would be the "engine of growth" best in economies with
   A. Positive or balanced trade.
   B. Trade deficit.
   C. all types of trade balance.
   D. exclusively negative balance of trade.
4. Which one of the following is a solution for a country with fixed exchange rate that suffers persistent deficit in its balance of payments?
   A. The country should keep its fixed exchange rate as it is.
   B. The country's currency should appreciate against other currencies.
   C. The country should devalue its currency against other currencies.
   D. The country should revalue its currency against other currencies.

2004 E.C for Grade 11

UNIT TEN

1. Which one of the following is a major cause of shifts in the aggregate agricultural production function?
   A. Total population growth
   B. Rural population growth
   C. Continuous use of unskilled labor
   D. Widespread adoption of new high-yielding crop varieties
2. Individuals are not willing to provide public goods such as streetlights because _____.
   A. they do not consume them
   B. everybody can consume public goods without paying the providers because public goods are non-excludable
   C. they are not allowed to provide them because provision of public goods should only be accomplished by governments
   D. their value to the society as a whole is smaller than the costs of providing the goods that individuals are not interested in providing them
3. Which of the following is correct about the impact of high population growth rate on economic growth?
   A. Food and beverage, textile and non-metallic minerals dominate the manufacturing sub-sector
   B. The concentration of manufacturing sub-sector in certain areas is desirable because it improves administrative efficiency
   C. Large and medium-scale manufacturing enterprises were dominated by public ownership during the Imperial period and the Derg regime

2006 E.C for Grade 11

UNIT TEN

1. _____ can be selected as a monetary instrument is condition where aggregate demand is less than aggregate supply.
   (A) Selling of bonds and bills
   (B) Increasing discount rate
   (C) Increasing reserve requirement
   (D) Decreasing discount rates
2. Following up the direction of change of the value of the currency of a country by analyzing the state of international demand for and supply of the currency, has a basic assumption that the country's currency is under _____ _____ exchange system.
   (A) floating
   (B) balanced
   (C) managed floating
   (D) fixed
3. Which of the following is NOT an example of the regulatory function of government?
   (A) Controlling inflation
   (B) Reducing unemployment
   (C) Maintenance of law and order
   (D) Use of taxes and subsidies to alter production
4. What is the likely outcome of application of the combination of fiscal and monetary measures, where government expenditure is made to be significantly higher than government revenue, on the one hand, and issuing currency at a rate greater than growth of the economy on the other hand?
   (A) High current account deficit
   (B) High inflation rate
   (C) Low deflation rate
   (D) Low devaluation rate

2007 E.C for Grade 11

UNIT TEN

1. An expansionary fiscal policy involves _____.
   (A) increase in tax rate
   (B) decrease in expenditure
   (C) increase in expenditure
   (D) encouraging public borrowing
2. Which one of the following is **NOT** instruments of expansionary fiscal policy?
   (A) Increase in subsidies.
   (B) Reduction of tax rates.
   (C) Expanding monetary base.
   (D) Expanding government expenditure.
3. Which of the following is one of the major instruments of contractionary monetary policy?
   (A) Buying securities.
   (B) Decreasing bank rate.
   (C) Decreasing cash-reserve ratio.
   (D) Increasing cash-reserve ratio.
4. Income policy refers to government _____.
   (A) control of wages
   (B) building of houses
   (C) building of dams
   (D) control of corruption

2008 E.C for Grade 11

UNIT TEN

1. Which one of the following is an instrument of fiscal policy?
   A. Bank lending rate
   B. Reserve requirement ratio
   C. interest rate
   D. tax rate
2. Which one of the following is an example of contractionary monetary policy?
   A. An increase in money supply.
   B. An increase in reserve requirement ratio.
   C. A decrease in bank lending rate.
   D. A decrease in reserve requirement ratio.

2004 E.C for Grade 12

UNIT ONE

1. The most important determinants of high population growth rates in Ethiopia are _____.
   A. High dependency ratios
   B. High fertility and high death rates
   C. High death rates and low fertility rate
   D. High fertility rate and ceclining death rates

2. Which of the following is NOT a pillar objective in Ethiopia's medium term development plants of the *post-Derg period*?
   A. Food security
   B. Regional equity
   C. Accelerated growth
   D. Energy independence
3. Which of the following is NOT currently a serious and top environmental concern in Ethiopia?
   A. Air pollution
   B. Land degradation and soil erosion
   C. Sanitation and environment health
   D. Deforestation and loss of biodiversity

2006 E.C for Grade 12

UNIT ONE

Ethiopia is potentially a rich country in terms of its natural resource base an proportion of working age population.

1. Which of the following arguments supports the statement above? Natural resources and working age population
   (A) ownership is what makes a country actually wealthy.
   (B) are important factors of production.
   (C) serve as the means by which the country gets export income.
   (D) are available in much greater quality and quantity in the country.
2. If the dependency ration (the ration population of economically inactive to economically active population) in a country is 200 percent, which one of the following statements is correct in light of this information?
   (A) The country has either large population of economically active population or low population of economically inactive population.
   (B) The number of children under the working age is greater than the number of people above the working age.
   (C) The number of children below the working age an pensioners above the working age is twice the number of economically active people.
   (D) The number of economically active people is twice the number of children below the working age and pensioner above the working age.
3. One of the following best describes the development plans of the three successive Ethiopian governments (i.e. Imperial, Military and EPRDF, respectively).
   (A) The plans of the first and the last governments are in principle to assist the market economy.
   (B) The last two are founded on the principles of modern socialist economy.
   (C) The first two are similar in that both wanted to advance agricultural development through "Land to the tiller" principle.
   (D) The last government's emphasis is on manufacturing development.
4. The trend of the percentage distribution of the Ethiopian population by sex over the period 1984 to 2007 can be characterize as.
   (A) increasing in the proportion of male population.
   (B) increasing in the proportion of female population.
   (C) decreasing in the proportion of male population.
   (D) constant in the proportion of both the male and the female population to make the distracter more attractive.

2007 E.C for Grade 12

UNIT ONE

1. Which one of the following is the main objective of the Plan for Accelerated and Sustainable Development to End Poverty (PASDEP)?
   (A) Building common residential houses for the poor people.
   (B) Selling government banks to foreigners to create free market.
   (C) Building modern and productive agricultural economic sector.
   (D) Nationalization of private companies for sustainable development.
2. Assume that 25% of the population gets 50% share of national income. What is the per-capita income of the remaining 75% of the population in relation to the per-capita income of 25% population?
   (A) 3/4 (B) 1/2 (C) 1/3 (D) 1/4
3. Large population requires big amount of resources for consumption and makes it difficult to save; it creates big domestic market that boosts growth: it provides large labor input for growth. Based on these hypotheses, which one of the following is a valid conclusion?
   (A) Large population leads to poverty even if it is source of labor input.
   (B) In most cases, large population retards growth of the economy.
   (C) Overall, large population is a resource to the economy irrespective of the its various disadvantages.
   (D) In case where the economy generates jobs, population is both input to production, sources of demand for outputs and source of saving.

2008 E.C for Grade 12

UNIT ONE

1. Which one of the following best describes the structure of the agricultural sector in Ethiopia?
   A. The modern commercial farming system is the dominant system.
   B. The pastoral farming system is the dominant system.
   C. The smallholder, commercial and pastoral systems are equally dominant.
   D. The smallholder farming system is the dominant system.
2. Which one of the following is an abundant resource in Ethiopia?
   A. Unskilled labor
   B. Capital
   C. modern energy resource
   D. educated labor
3. Which of the following statements best describes the traditional energy resources of Ethiopia?
   A. Wood and products of wood constitute the major depletable but renewable energy resource in Ethiopia.
   B. Wood constitutes the major non-depletable energy resource in Ethiopia.
   C. Hydropower is the major renewable and non-depletable energy resource in Ethiopia.
   D. Wood products are the second major energy resource in Ethiopia next to hydro electricity.
4. Which one of the following is best classified as short-term man-made problem of the agricultural sector?
   A. Fertilizer shortage to cope up with soil fertility loss.
   B. Erosion and land degradation.
   C. Unpredictable weather condition.
   D. Land fragmentation following population pressure.
5. Which of the following assumptions was the basis for initiating package projects as part of agricultural development strategy in pre-1974 Ethiopia?
   A. The packages were means to repeat the success of the Green revolution in India.
   B. The package projects were easily affordable by peasants and by government.
   C. The packages projects were attractive to donors help in agricultural development.
   D. The package projects were compatible with commercial agriculture and easy to support.
6. Land availability in Ethiopia is 385,500 square kilometers while the total area of Ethiopia is 1,104,300 square kilometers. Which of the following assumption explains the difference in these figures?
   A. Availability of land means irrigable land.
   B. Land availability means arable land.
   C. Availability of land refers to grazing and arable land.
   D. Land means land suitable for urban development.
7. In a bimodal agricultural development in Ethiopia, if 20% of the agricultural land was used for commercial farms ten years ago and now 40% of the agricultural land is used for the same, which one of the following is true about bimodal agriculture in the country? Land for commercial farms was
   A. Increasing 2 percentage points every year and 60% of the agricultural land is used for state farms.
   B. Increasing 4 percentage points every year and 40% of the agricultural land is used for cereal production.
   C. Increasing 2 percentage points every year and 60% of the agricultural land is used for intensive peasant farming.
   D. Increasing 4 percentage points every year and 80% of the agricultural land is used for extensive pastoral farming.
8. Which one of the following best describes what structure means in relation to the agricultural sector of Ethiopia?
   A. The composition of the agricultural sector that involves crop livestock, forestry and fishery productions.
   B. The linkage of the agricultural sector that involves linkages with industry and service sectors.
   C. The relationship between the agricultural society and the urban society including semi urban societies.
   D. The composition of the agricultural sector that involves cereal production, oil seeds and pulses production.
9. Which of the following is **NOT** part of the assumptions of ADLI strategy?
   A. Emphasis on the industrial growth is questionable.
   B. Industrial sector has the largest potential to adopt technology.
   C. Agricultural sector is a leading and dynamic sector.
   D. Industrial sector without agricultural leadership is weak.

2004 E.C for Grade 12

UNIT TWO

1. The Ethiopian economy is predominantly _____.
   A. Agrarian B. industrial C. small informal sector D. vibrant financial sector

2. Which of the following is NOT correct about the farming systems practiced in Ethiopia?
   A. The smallholder farming system is characterized by mixed farming, where livestock production is integrated with crop production
   B. The commercial farming system has been the most efficient since it applies modern production technologies and inputs
   C. The pastoral farming system is practiced in the lowlands of the country where people a mainly depend on livestock production
   D. The three farming systems have different levels of conatributions to the agricultural GDP, with the smallholder farming system being the main codntributor
3. Agriculture and related activities are the most recurrent and emphasized in the National Development plants of all the last three regimes of Ethiopia, including FDRE. The most likely reason for this attention in the Ethiopian context is that.
   A. agriculture is the most background sector
   B. it is difficult to do much in other sectors
   C. other sectors are performing relatively well
   D. agriculture is the most important sector in Ethiopia for achieving the national development goals
4. according to 2006 estimates, agriculture contributes about 45% to GDP; generates more than 80% of total export earnings; and employs about 85% of the population. These data imply all of the following EXCEPT_____.
   A. Labour productivity is lower in agriculture compared to other sectors
   B. Personal earnings in agricultural is higher than the average for other sectors
   C. The proportion of agricultural commodities is the largest n the value of total exports
   D. Labour productivity for the rest of the sector on average is higher than for agriculture

2006 E.C for Grade 12

UNIT TWO

Assume that the following are the major problems of Ethiopian agriculture: land fragmentation, lack of credit facilities, lack of land ownership entitlement, erosion and land degradation.

1. Which of the following arguments supports the statement above? Natural resources and working age population
   (A) Solving the ownership problem creates the right economic incentive an facilitates solving the others.
   (B) Prior distribution of innovative technologies for solving erosion and degradation problems solves all the other problems.
   (C) Availing credit without collateral by government solves the rest of the problems.
   (D) Land fragmentation has to be addressed by authorities before solving others.

The adoption of Agricultural Development Led Industrialization (ADLI) strategy by Ethiopian government is partly with a belief that with increased farm incomes it also provided expanded market for domestically produced industrial goods.

2. The assumption behind the expanded market argument is:
   (A) farmers like domestic products.
   (B) domestic Industrial products are better than imports.
   (C) domestic industrial production suffers from lack of domestic demand caused by low income.
   (D) farmers are not aware of the availability of domestically produced industrial goods before they become rich.
3. The largest percentage of the agricultural GDP in Ethiopia comes from _____.
   (A) crop production (C) fisheries
   (B) livestock production (D) floriculture

The development strategy of Ethiopia known as "Agricultural Development Led Industrialization" (ADLI) is an approach that promotes agriculture as a leading sector for the development of the country. The basic argument is that without the development of agriculture industry becomes weak.

4. Which of the following attainments best indicates the validity of the approach?
   (A) Agricultural Share in GDP remains higher than the industrial share in GDP.
   (B) Industrial share growth follows agriculture share growth
   (C) Agricultural share growth increases as industrial share growth declines.
   (D) Agriculture growth is faster than industrial growth.

2007 E.C for Grade 12

UNIT TWO

1. Which of the following is advantage of Bi-modal approach in agriculture strategy?
   (A) It supports individual right to land.
   (B) It supports small-scale diversification.
   (C) It discourages individual right to land.
   (D) It discourages large-scale diversification.
2. Land resource in agriculture refers to
   (A) the total habitable land. (C) the total area of the land.
   (B) productivity of the land. (D) area and productivity of the land.

3. The characteristics of the post-1991 agricultural policies and strategies is
   (A) discouragement of smallholders. (C) dissolution of producer and service cooperatives.
   (B) discouragement of private commercial farms. (D) establishments of producer and service cooperatives.
4. Which one of the following is the role of agricultural sector of Ethiopia?
   (A) Source of spare parts to the manufacturing sector.
   (B) Source of technology to the manufacturing sector.
   (C) Source of skilled manpower to the manufacturing sector.
   (D) Source of food and raw materials to the manufacturing sector.
5. Give the small holder and subsistence nature of agriculture in Ethiopia, which of the following best describes the source of problem of the sector in the past?
   (A) Agricultural sector grows faster than the other sectors.
   (B) Agricultural sector grows faster than population, hence demand deficiency.
   (C) Agriculture grows slower than the rate of growth of agricultural population because of low productivity.
   (D) Cereal production has been in surplus of the local demand while at the same time export market has not been developed.
6. Which of the following statements is **NOT** a correct statement for diminishing returns in agriculture resulting from limits set by land and its fertility?
   (A) Expansion of agricultural land goes with less than proportional increase in output.
   (B) Increasing agricultural labor does not lead to proportional increase in output.
   (C) Technological progress in agriculture offsets diminishing returns in agricultural production.
   (D) Land used for non-agricultural purposes has greater returns than that used for agricultural purposes.
7. Which one of the following statements is the best conclusion about future contribution of agriculture in Ethiopia?
   (A) The high share of agriculture in **GDP** and employment is the permanent states of the economy.
   (B) Since agriculture is the highest contributor to **GDP** and employment, it will remain the main source of future growth.
   (C) Since agriculture is currently the highest contributor to **GDP** and employment its share in GDP will grow in the future.
   (D) The current high share of agriculture in **GDP** and employment does not mean that the sector will remain so in the future.

2008 E.C for Grade 12

UNIT TWO

1. Which one of the following are the best list of constituent outputs of industrial sector?
   A. Electricity, water supply, construction, mining and manufacturing.
   B. Electricity, water supply, construction, and mining.
   C. Manufacturing, water supply, construction and mining.
   D. Electricity, water supply, construction, and manufacturing.
2. If the industrial sector uses local raw materials, and supplies goods to domestic market, which one of the following best describes the nature of the sector?
   A. The industrial sector advances technology transfer more than other sectors.
   B. The industrial sector has more potential to create jobs and products than other sectors.
   C. The industrial sector provides more profit than other sectors.
   D. The industrial sector provides backward and forward linkages.
3. Which one of the following is **NOT** true about industrialization?
   A. Industrialization involves application of science and technology to production.
   B. Through industrialization economies attain structural transformation.
   C. Industrialization is a fast and one step process that is not reversible.
   D. The industrial sector plays the most important role in the process of industrialization.

2004 E.C for Grade 12

UNIT THREE

1. Which of the following is NOT correct about the industrial sector of Ethiopia?
   A. As of 2007/08, the share of the private sector in the manufacturing sub-sector is 91.5%
   B. Food and beverage, textile and non metallic minerals dominate the manufacturing sub-sector
   C. The concentration of manufacturing sub-sector in certain areas is desirable because it improves administrative efficiency
   D. Large and medium-scale manufacturing enterprises were dominated by public ownership during the Imperial period and the Derg regime
2. One of the following is NOT among the measures taken by the FDRE to promote industrialization
   A. Privatisation of public industrial enterprises
   B. Removal of examimum limit on the capital of private investors
   C. Public development and management of medium and large scale industries
   D. Granting of managerial autonomy and responsibility to public strategic industrial enterprises

2006 E.C for Grade 12

UNIT THREE

In Ethiopia, by definition among others, large and medium scale manufacturing industries are those employ 10 or more workers, while small scale manufacturing industries are those employing not more than 1 person from the owner. Large and medium manufacturing establishments wee subjected to various policies during the imperial, the Military and the current regimes. In Ethiopian statistics, the number of large and medium scale manufacturing establishments was fluctuating under the various regimes.

1. Which of the following arguments supports the statement above? Natural resources and working age population
   (A) Unfavorable policy causes decease in capacity utilization which in turn leads to reduction of employees and hence affecting the scale.
   (B) Manufacturing surveys in practice do not follow the definition even if they are supposed to do so.
   (C) The political regimes desire to have different number of large and small scale manufacturing establishments.
   (D) Manufacturing establishments usually change their status out of their own will.
2. The _____ industrial group is the largest contributor in terms of employment generation in Ethiopia.
   (A) non-metal and the paper
   (B) textile
   (C) food and beverage
   (D) wood and furniture
3. Which one of the following events contributed to the introduction of the modern manufacturing industries in Ethiopia?
   (A) Fall of the Derg regime
   (B) The construction of the Ethio-Djibouti railway
   (C) The EPRDF's industrial strategy
   (D) The Industrial strategy of the imperial period
4. Which of the following measures of industrial performance indicate factor productivity?
   (A) Value added at factor cost
   (B) Value added per person employed
   (C) Gross value of output
   (D) Gross value per valued added

2007 E.C for Grade 12

UNIT THREE

1. Which one of the following characterizes industrial development strategy during the *Derg* regime (1974-1991)?
   (A) Favorable change in productivity.
   (B) Enhanced efficiency in linking with the market.
   (C) Radical change in industrial ownership and management.
   (D) Radical expansion in large and medium scale manufacturing.

2. One of the following is the major problem of the Ethiopian industrial sector?
   (A) Lack of finance. (C) Shortage of electricity.
   (B) Shortage of water. (D) Lack of policy support.
3. In Ethiopia, small-scale and cottage/ handcrafts are totally owned and managed by the _____.
   (A) Government (C) Private sector
   (B) Ministry of Industry (D) Large industrial group
4. "Industry uses local raw materials, and provides inputs to other sectors more than any other sector and hence its development should be given priority"
   Which of the following best summarizes this argument?
   (A) The linkage argument (has more linkage).
   (B) The employment argument (creates more job opportunities).
   (C) The balance of payments argument (generates more foreign currency).
   (D) The development argument (developed nations are more industrialized).

2008 E.C for Grade 12

UNIT THREE

1. Which one of the following economic activity does **NOT** fall under the service sector?
   A. Fertilizers distribution. C. improved seeds selling.
   B. Application of new farming techniques. D. providing insurance to farms
2. Which of the following serves as a reason for the reservation of large-scale air and marine transport services only for government investment in Ethiopia?
   A. Private sector is not capable of investing in this area.
   B. Reason of scale economies in this investment and importance for national security.
   C. There is no convincing economic reason to justify the reservation.
   D. Tax payers disapproval of privatizing the invested capital in these services.

2004 E.C for Grade 12

UNIT FOUR

1. A fast growing recent adoption of technical innovations in the service sector in Ethiopia has occurred in _____.
   A. Postal services C. telecommunications
   B. Road transport D. marine transportation
2. One of the following is NOT among the possible impacts of HIV/AIDS in Ethiopia and other African countries
   A. Reduction in labour supply
   B. Reduction in tax revenue to government
   C. Reduction in labour input required to produce a unit of output
   D. Reduction in foreign investment and foreign exchange earning
3. Which of the following is NOT true about the strategic direction of Ethiopia's national policy on the health sector?
   A. Assurance of equitable access
   B. Decentralization of the health care system
   C. International and inter-sectoral cooperation
   D. More focus on treatment component of health care

2006 E.C for Grade 12

UNIT FOUR

1. Which of the following has the largest number of subscribers to the Ethio-telecom?
   (A) Fixed Telephone Line (C) Internet
   (B) Digital Line (D) Mobile

The effects of HIV/AIDS on Ethiopian economy are reduced: labor supply, productivity, government income, and increased government expenditure to deal with the disease.

2. Which of the following statements best expresses our knowledge on these effects?
   (A) They are logically derived from the possible impacts of illness and mortality.
   (B) The effects are empirically computed form available direct data on HIV/AIDS.
   (C) Governments and HIV/AIDS victims clearly report the magnitude of these effects.
   (D) They are computed and known from other countries' experience.
3. _____ component of the Ethiopian Education Sector Development Program (ESDP) focuses on activities of expansion of in supply of educational equipment an material.
   (A) Primary education (C) Tertiary education
   (B) Secondary education (D) Teachers training education
4. Which one of the following economic activity can be grouped under services sector?
   (A) Farming (B) Manufacturing (C) Tourism (D) Heavy industrial projects

2007 E.C for Grade 12

UNIT FOUR

1. Tourism in Ethiopia contributes to one of the following.
   (A) Inflation (C) Loss of educated manpower
   (B) Loss of wild animals (D) Foreign exchange earnings
2. The Education Sector Development Programs of Ethiopia include
   (A) upgrading the expansion of roads.
   (B) upgrading the expansion of dams.
   (C) upgrading the expansion of buildings.
   (D) upgrading expansion of training institutions.
3. Which one of the following is a correct statement about the development of the Ethiopian road conditions in recent years?
   (A) Roads in good conditions have been decreasing.
   (B) The road density per 1000 square kilometers has been decreasing.
   (C) The road density per 1000 square kilometers has been increasing.
   (D) Average time taken to reach all weather roads has been increasing.

2008 E.C for Grade 12

UNIT FOUR

1. Which one of the following factors did NOT directly affect the tourism industry of Ethiopia in the past?
   A. Recurrent drought. C. the number of people in the country.
   B. Prolonged civil war. D. bad relations with tourist generating countries.

2004 E.C for Grade 12

UNIT FIVE

1. Which of the following is NOT true about the investment policy of Ethiopia during the post – 1991 period?
   A. Private investors can invest in any investment area
   B. The policy is generally conducive for private investors
   C. Capital requirements are different for local and foreign investors
   D. Private investors are entitled to exemption form export and import duties and benefits related to income tax
2. A key structural bottleneck for the development of the formal financial sector in Ethiopia is that _____.
   A. only a few private commercial banks exist
   B. a good part of the economy is not monetized
   C. government owned commercial banks are less profitable
   D. the governments has failed to liberalize it for entry of foreign competitive firms

2006 E.C for Grade 12

UNIT FIVE

1. Ethiopian foreign trade policy after 1991 is characterized by
   (A) heavy involvement of government in the retail trade.
   (B) withdrawal of the private sector from retail trade.
   (C) withdrawal of the government from retail trade
   (D) abolition of all trade barriers

2007 E.C for Grade 12

UNIT FIVE

1. Which of the following commodity has the largest share in the Ethiopian export?
   (A) Gold (B) Pulses (C) Coffee (D) Oil seeds
2. Which of the following is the most influential factor on the world price for Ethiopian coffee?
   (A) Domestic price of coffee in Ethiopia.
   (B) World price of other agricultural products.
   (C) The supply quantity of Ethiopian coffee to world market.
   (D) Price performance of major coffee supplies to the world market.
3. One of the following was the result of trade liberalization in Ethiopia.
   (A) There was restriction in free mobility of food grains.
   (B) The traditional private marketing systems has disappeared.
   (C) Obtaining license and legal recognition was made difficult.
   (D) Types of markets and market channels in both rural and urban areas were diversified.
4. Which of the following is true about Ethiopian export?
   (A) Ethiopia is a price taker in almost all exports.
   (B) Ethiopia is a price maker in some export goods.
   (C) Ethiopia agricultural exports have retained persistent terms of trade.
   (D) Ethiopia manufactures are greater in their contribution to export.
5. Which of the following is the least responsible factor for balance of payments problem of Ethiopia?
   (A) Chronic trade deficit.
   (B) Current account deficit.
   (C) Absence of debt cancellation and rescheduling.
   (D) Accumulation of debt burden and heavy debt servicing.

2008 E.C for Grade 12

UNIT FIVE

1. Which one of the following best describes import substitution strategy?
   A. Promotion of export. C. switching of exported goods to domestic consumption
   B. Replacement of exports by imports. D. replacement of imports by domestic manufactures.
2. Which one of the following describes the purpose of imposing tariffs on imports?
   A. To protect foreign producers from domestic competition.
   B. To protect foreign consumers from domestic consumers.
   C. To protect domestic consumers from foreign competition.
   D. To protect domestic producers from foreign competition.

2004 E.C for Grade 12

UNIT SIX

1. Which of the following is the largest contributor of federal government revenue in Ethiopia?
   A. Foreign trade taxes C. Domestic indirect taxes
   B. Agricultural income tax D. Corporate profit taxes

2006 E.C for Grade 12

UNIT SIX

1. Which one of the following is true about the Ethiopian financial sector?
   (A) High degree of monetization
   (B) Very low collateral requirement
   (C) Lack of completion in the sector
   (D) Very high level of innovation
2. One of the post 1992/93 reforms undertaken in the financial sector of Ethiopia is.
   (A) allowing foreigners to establish financial institutions in Ethiopia.
   (B) introduction of Open Market Operations (OMO).
   (C) limiting the participation of private sector in the financial sector.
   (D) nationalization of private insurance companies.
3. Which one of the following is a component of the public sector reform since 1992/93?
   (A) Narrowing of the tax base
   (B) Increasing government expenditure
   (C) Increasing o the marginal tax rate
   (D) Reduction of the marginal tax
4. Which of the following policy instrument is directed towards equitable distribution of income?
   (A) Taxation
   (B) Minimum Reserve Requirement policy
   (C) Interest rate policy
   (D) Open market operation

2007 E.C for Grade 12

UNIT SIX

1. The financial sector polices of the *Derg* period was characterized by
   (A) restrictive financial polices.
   (B) contraction of the public sector.
   (C) excessive government borrowing.
   (D) unrestricted private sector participation.
2. Which of the following is true about the current performance of financial sector in Ethiopia?
   (A) Fall in foreign asset.
   (B) Efficient credit allocation.
   (C) Large amount of non-performing loans.
   (D) Abolition of credit to the private sector.
3. Budgetary deficit financing can be accomplished by
   (A) lending to civil servants.
   (B) lending to domestic banks.
   (C) borrowing from civil servants.
   (D) borrowing from domestic banks.
4. Which one of the following is an example of fiscal decentralization in Ethiopia?
   (A) A delegation of power.
   (B) Taxing regional governments.
   (C) Sharing revenues between regions and the central government.
   (D) Controlling regional governments' budget by the central government.
5. If revenue declines by an amount twice the level of expenditure while external assistance has grown by an amount three times the expenditure, what is the combined effect of these changes on budget deficit?
   (A) Deficit has remained the same.
   (B) The deficit has increased by double.
   (C) It is not possible to estimate the change on deficit.
   (D) The deficit has declined by an amount equal to the expenditure.
6. Which one of the following problems of the financial sector of Ethiopia is likely to get solution with development and expansion of modern economic activities?
   (A) Charging low interest rate.
   (B) High collateral requirement.
   (C) Lack of monetization of the economy and how completion.
   (D) High demand for credit but low credit worthiness of businesses.

2008 E.C for Grade 12

UNIT SIX

1. Which one of the following was the development strategy of the Derg regime?
   A. Nationalization of the medium and large scale enterprises.
   B. Keeping low level of tariff protection.
   C. Providing high tax incentives for investors.
   D. Facilitating easy access to domestic credit to all.
2. Which one of the following types of government budget are used to stop an ongoing rise of unemployment and the decline of prices and outputs?
   A. Deficit budget B. surplus budget C. balanced budget D. revenue budget
3. Which one of the following is the priority of Ethiopian government to improve its revenue collection?
   A. Expanding the sources of grants. C. focusing on income tax instead of VAT.
   B. Strengthening tax collection institutions. D. reducing the tax base and increasing tax rate.
4. Which of the following best describes the reason for adoption of a system of fiscal decentralization to regional governments in Ethiopia?
   A. To improve the efficiency of addressing citizen's need.
   B. To reduce the channel of fiscal flow.
   C. To rationalize expenditure and tax structure.
   D. To reduce the burden of federal government.

2006 E.C for Grade 12

UNIT SEVEN

1. One of the following is a basic functional difference between central banks and commercial banks.
   (A) Central banks deal with foreign exchange issues while commercial banks do not.
   (B) Commercial banks engage in generating profit while central banks do not.
   (C) Central banks follow up on use of credit and loans while commercial banks do not.
   (D) Commercial banks issue bonds while central banks do not.
2. One of the following is the application of monetary policy.
   (A) Managing taxed money (C) Regulation of foreign exchange rates
   (B) Charging interest income tax on deposits (D) Effecting monetary transfer payments

2007 E.C for Grade 12

UNIT SEVEN

1. Which one of the following remains the target of the recent monetary policy of Ethiopia?
   (A) High inflation rate (C) Low devaluation rate
   (B) Low deflation rate (D) Current account deficit

2008 E.C for Grade 12

UNIT SEVEN

1. Which one of the following is **NOT** the role and responsibility of commercial banks in Ethiopia?
   A. Control money supply. C. accept deposits.
   B. Provide loans. D. place legal reserves in the central bank.
2. Which one of the following best represents the result of an increase in bank saving rate?
   A. Encourages people to save more of their current disposable income.
   B. Encourages people to borrow money from banks.
   C. Discourages people from saving more of their current disposable income.
   D. Encourages people to consume more of their current disposable income.

3. Which one of the following is an example for a policy of financial repression?
   A. Favoring efficient private sector.
   B. Restricting financial institutions.
   C. efficient use of financial resources.
   D. abolition of discriminatory lending rates.
4. Which one of the following best reflects the growth of economic activities and higher transaction demand for money?
   A. Decline of foreign assets.
   B. Growth of narrow money.
   C. growth of quasi- money
   D. decline of domestic credit.
5. Which one of the following was an objective of pursuing tight monetary policy during the structural adjustment program in Ethiopia?
   A. To reduce the budget deficit.
   B. To encourage exports and discourage imports.
   C. To narrow the gap between the official and black market rates of exchange.
   D. To keep inflation at low levels.
6. Given the planned budget of Ethiopia in millions of Birr as: recurrent budget (40,000), indirect tax (35,000), capital budget (45,000), and direct tax (25,000) and an external grant of 5,000. Which one of the following is a correct statement about the budget?
   A. The budgetary deficit is 5,000.
   B. There is budgetary surplus of 20,000.
   C. The budget is balanced with zero deficit.
   D. There is budgetary deficit of 20,000.

2004 E.C for Grade 12

UNIT EIGHT

1. Which of the following was NOT an elements of Ethiopia's structural adjustment program in the 1990s?
   A. Currency devolution
   B. Privatization of rural lands
   C. Liberalization of foreign trade
   D. A removal of domestic price controls

2006 E.C for Grade 12

UNIT EIGHT

1. Which one of the following goals best explains a proclamation of investment policy that eliminates discrimination against the private sector and that creates conducive environment for the private investment?
   (A) Pleasing the private sector both foreign and domestic.
   (B) Collecting investment license fees and income tax from the private sector.
   (C) Building an economy where the private sector plays a leading role.
   (D) Making a transition from private sector led to government sector led economy.
2. Structural Adjustment program aimed at reducing government expenditure and orienting the economy towards markets in the early 1990s. The rational for introducing these measures was that:
   (A) world financial institutions would support it.
   (B) the stabilization measures were poverty reducing.
   (C) the need to remove weak private sector participants.
   (D) the need to remove imbalances and restore market completion.
3. One of the following was **NOT** among the causes that necessitated economic reform from centrally planned to market economy in Ethiopia?
   (A) Poor performance of the agricultural sector
   (B) Mismanagement of resources
   (C) Unnecessary surplus in balance of payments
   (D) Macroeconomic instability

2007 E.C for Grade 12

UNIT EIGHT

1. What necessitates the current economic policy reform of Ethiopia?
   (A) Internal stability.
   (B) Sustained economic growth.
   (C) Inefficient management of resources.
   (D) Good performance of the agricultural sector.

2. Which of the following is true about the performance of the Ethiopian economy after the structural adjustment program?
   (A) Aggregate consumption decreased.
   (B) Aggregate consumption increased.
   (C) Average growth rate of public investment increased.
   (D) Average growth rate of the service sector decreased.
3. Which one of the following best represents a structural adjustment measure?
   (A) Redirecting productive resources from non-productive to productive sectors.
   (B) Restructuring institutions from private completion to government monopoly.
   (C) Consistently keeping profitable public investment and privatizing non-profitable ones.
   (D) Promoting government intervention whenever possible and limiting private initiatives.
4. "The investment policy of Ethiopia is designed to eliminate discrimination against the private sector and to create conducive environment for the private investment."
   (A) The policy is pleasing both foreign and domestic private sector.
   (B) The policy aims at building an economy where the private sector plays a leading role.
   (C) The policy is making a transition from private sector led to government sector led economy.
   (D) The policy enables collecting larger investment license fees and income tax from the private sector.
5. In recent years, the following fiscal measures have been taken by Ethiopian government: rationalize public expenditure, broadening the tax base and limiting import exemptions. Which of the following best expresses the overall goal of taking these measures?
   (A) Controlling inflation.
   (B) Reducing unemployment.
   (C) Use of taxes and subsidies to alter production.
   (D) Reducing the difference between taxes and expenditure.

2008 E.C for Grade 12

UNIT EIGHT

1. Which one of the following is a five year plan of Ethiopian government?
   A. Climate Resilient Green Economy plan (CRGE).
   B. Education Sector Development plan (ESDP).
   C. Growth and Transformation plan I (GTPI).
   D. Agricultural Development Led Industrialization (ADLI).
2. Which one of the following was the application of expenditure switching policy in structural adjustment program of Ethiopia?
   A. Deregulation of prices.
   B. Tight money supply.
   C. privatization.
   D. credit control.
3. If the growth rates of agriculture, industry and services increased after the implementation of structural adjustment program in Ethiopia by 5%, 7% and 8% respectively, which one of the following is the best evaluation of the performance of the economy based on the given information?
   A. The reform was more favorable to growth of service sector than for others.
   B. Growth of the economy as a whole after the reform is below 5%
   C. The output of the agricultural sector is the least.
   D. The output of the service sector is greater than the output of industry.

2006 E.C for Grade 12

UNIT NINE

1. Which of the following statements is true about the role of international trade in economic development? international trade _____.
   (A) enables country to consume and produce more than would be possible without trade.
   (B) enables labor to move from one country to another.
   (C) brings goods services that can be produced within the domestic economy.