Addis Ababa Administration Yeka Sub City Education Office Economics Model Examination for
Grade 12 (in a Year 2012)

Time allawed 2 Hrs

Read the following questions carefully and choose the best answers from the given alternatives.

1. Which one of the following is the dominant economic sector in Ethiopia?
   A. Agriculture sector
   B. Service sector
   C. Manufacturing sector
   D. Industrial sector
2. Which one of the following is not problem of the industrial sector in Ethiopia?
   A. Shortage of hard currency
   B. Productivity problem
   C. Inadequate rural market
   D. Low level of technology
3. The Ethiopian per- capita income decreases when;
   A. GDP of the country decrease
   B. Population decreases
   C. Trade balance increases
   D. Productivity increases
4. Which one of the following products is not the major component of Ethiopian export?
   A. Coffee
   B. Chat
   C. Oilseeds
   D. Sugar cane
5. Agricultural strategy focused on intensification of small scale peasant farms is;
   A. Bi-modal agricultural strategy
   B. Uni-modal agricultural strategy
   C. Agricultural policy
   D. PASDEP
6. Which one following the dominant industrial product in Ethiopia?
   A. Textile
   B. Chemical
   C. Wood and metal works
   D. Food and beverage
7. Which of the following industrial product is dominantly in the hand of the government?

   A. Food and beverage
   B. Water and Spring
   C. Metal firms
   D. Textile firms
8. Which of the following is not measure of performance of the health sector in Ethiopia?
   A. Infant mortality rate
   B. Life expectancy at birth
   D. Access to safe water
   E. Compact HIV?AIDS
   C. Maternal mortality ratio
9. Which one of the following is the dominant transport sector in Ethiopia?

A. Air Transport
B. Rail way Transport
C. Air and rail way transport
D. Road transport

10. What are the problems of tourism sector in Ethiopia?

A. Shortage of tourist facilities
B. Limited Promotion
C. Human resource
D. All of the above

11. Communication sector in Ethiopia does not includes

A. Telecommunication
B. Broadest media
C. Postal service
D. Transit

12. Coffee is the dominant Ethiopian export commodity. This is because

A. Ethiopia has comparative advantage in coffee production
B. Ethiopia has absolute advantage in coffee production
C. Ethiopia has excess coffee production
D. Ethiopia is the only coffee producer

13. The trade restriction imposed tariff on physical quantities is

A. Ad valorem tariff
B. Specific tariff
C. Compounded tariff
D. None

14. Why the Ethiopian trade balance is in deficit? Because

A. Ethiopia exports primary products
B. Ethiopia imports manufactured products
C. The demand of Ethiopian products is poor by foreign countries
D. All

15. Which one of the following is not advantage of uni-modal strategy?

A. It reduces poverty in the rural economy
B. It reduces outgoing migration from rural1 areas
C. It supports individual right to acquire land
D. It protects the peasants from `eviction

16. Which one of the following is not drawback of bi-modal strategy?

i. A. It creates differentiation the rural society
ii. B. Lack of off-farm job opportunity
iii. C. Promotes the eviction of small peasants
iv. D. Does not focus on commercial crops

17. Which one of the following is not remedy of the Ethiopian agricultural sector?

v. A. Promoting and expanding the storage of rain water
vi. B. Production of drought resistant crops
vii. C. Promote infrastructure facilities in agriculture
viii. D. Promotion of extension service
ix. E. None

18. From the Ethiopian livestock sector _____ dominates the export of the sector

A. Meat
B. Hides and skin
C. Milk
D. All

19. _____ is not manmade agricultural problem Land fragmentation

A. Lack of facilities/infrastructure
B. Unpredictable weather condition
C. Traditional practice
D. Land fragmentation

20. _____ is the most dominant component of industrial sector

A. Manufacturing
B. Construction
C. Beverage
D. Textile

21. Which one of the following is not contribution of Ethiopian Tourism?

A. GDP growth
B. Employment
C. Foreign exchange earning
D. Rising poverty

22. If bank interest rate increases,

A. Saving increases
B. Investment increases
C. Output increases
D. Consumption increases

23. Which one of the following is monopolistic competition industry in Ethiopia?

A. Small restaurants and shops
B. Higher education industry
C. Cement industry
D. Sugar industry

24. The National bank of Ethiopia reduces the reserve requirement ratio of commercial bank . What is the implication of this policy?

A. Increase interest rate
B. Increase reserve of banks
C. Increase Money Supply
D. Create shortage of cash

25. Which one of the following is role of government?

A. Provision of public goods
B. Regulating the economy as a whole
C. Stabilizing the economy
D. Bring equitable distribution of income
E. All

26. One is not true about industrialization

A. It is one sudden occurrence
B. It is the application of modern science and technology
C. Manufacturing plays the dynamic role in industrialization

D. Industrialization brought structural change

27. Which one of the following is true about Ethiopian education?

A. The education history back to 4th C
B. The formal education started in1808
C. The enrolment at higher education approaches to 50%
D. Enrolment of female is less than male at high school and higher education

28. The industrial development is directed to use raw materials and create linkage among different sectors of domestic economy. Which type of argument of industrial sector is this?

A. The development argument
B. The employment argument
C. The balance of payment argument
D. The linkage argument

29. One of the following is not development strategies in the industrial sector in the post-Derg regime?

A. Easing licensing requirements
B. Downward revision of tax and tariff
C. Introduction of tax holidays
D. Lifting restrictions on private sector investment

30. The basic factors of production includes:

A. Land, labor, money ,and capital
B. Land ,labor, money, and inputs
C. Labor and capital
D. Land, labor, capital, and entrepreneurship

31. Unemployment of citizens due to technological change is:

A. Frictional unemployment
A. Structural unemployment
C. Cyclical unemployment
D. Hidden unemployment

32. Labour force consists of

A. All people whose age is between 15 –64
B. All able people whose age is between 15 –64
C. All able people are willing to work
D. All

33. Which of the following defines GNP?

A. Total output produced by an economy
B. Total final output produced by an economy
C. The market value of the total final output produced by an economy during a given year.
D. The market value of the total output produced by an economy during a given year

34. Unemployment is best defined as the existence of:

A. People that are unable to work
B. Part of the population which is out of work
C. People who are available for work and actively looking for jobs but could not find work
D. Old, young and disable persons that are unable to work

35. Most cyclical unemployment is a result of_____.

A. Depression C. Voluntary job separations

B. Job findings D. Re-entrance in to the labor force

36. To find profit maximizing output level, a firm should produce that level of output which equates

A. AVC and MC C. TFC and TVC
B. MC and MR D. AFC and AVC

37. Which of the following is a correct statement about oligopoly markets?

A. There is a low degree of interdependence among firms in an oligopoly market
B. There is no non-price competition in an oligopoly market
C. Products in an oligopoly market are always homogeneous
D. Firms in oligopoly markets are highly interdependent

38. 13. The shutdown point of a perfectly competitive firm in the short run corresponds to the point where the market price is equal to the

A. Minimum of AC C. Maximum of TVC
B. Minimum of AFC D. Minimum of AVC

39. Which of the following is not true in a perfectly competitive market structure?

A. AR is greater than price B. MR is equal to AR C. MR is equal to price D. AR is equal to price

40. 15. Which of the following is a cotractionary fiscal policy instrument?

A. Decreasing bank rate C. Buying securities
B. Decreasing tax rate D. Decreasing government expenditure

41. An oligopoly is a firm characterized by a small number of firms in an industry that

A. Have no barriers to entry C. Should produce identical goods
B. Have interdependence D. None of the above

42. The most important factor determining a household's consumption expenditure is likely to be

A. Its level of disposable income C. the size of the household
B. The average age of members D. the general price level

43. Which of the following is best describes an intermediate good?

A. it has no value to the seller C. it is purchased by a household
B. it has no value to the buyer D. it helps to produce another good

44. The most pampered farming system of all during the Derg

A. The pastoral farming system C .small-holder farming system
B. State farms D. commercial farming

45. To avoid a destructive 'price war' oligopolists are likely to turn to

A. Service competition C. Advertisement

B. Product differentiation D. All of the above

46. Advertising is more likely to be practical for
    A. A Perfect Competitor C. A Monopolist
    B. An Oligopolist D. Monopolistically Competitive

47. For a perfectly competitive firm
    A. The slope of the TR curve equals MR
    B. The slope of the TC curve equals MC
    C. P = MR
    D. All of the above

48. If the value of the Birr in other currencies rises, the
    A. Demand for the Ethiopian exports will rise
    B. Spending on the Ethiopian exports in Birr must rise
    C. Spending on the Ethiopian exports in foreign currency will rise if demand is price elastic
    D. Spending on the Ethiopian exports in foreign currency will fall if demand is price elastic

49. What happens to the total revenue of a firm if the firm increases the price of its product that has price inelastic demand?
    A. TR remains elastic C. TR remains unchanged
    B. TR increases D. TR decreases

50. Suppose a consumer has moved a little from point A to point B to the right on the same indifference curve. Then
    A. TU increases a little C. MRS declines in absolute terms
    B. TU decreases a little D. MRS increases in absolute terms

51. To measure the economic growth and living standards economists focus more on
    A. Real GDP B. Nominal GDP
    C. Real per capita GDP D. Nominal per capita GDP

52. Economic theory suggests two countries can both benefit from trade even if one country is more efficient at producing everything. What concept describes this theory?
    A. Opportunity Cost C. Absolute advantage
    B. Comparative advantage D. Production Possibility Frontier

53. Inflation initiated by an increase in wages or other resource prices is labelled as
    A. demand-Pull Inflation C. Demand-Push Inflation
    B. Cost-Push Inflation D. Cost-Pull Inflation

54. Transfer payments
    A. are included in GDP because they are forms of income

B. are included in GDP because goods and services have been produced in the transfer

C. are not included in GDP because goods and services have not been produced in the transfer

D. are included in GDP because goods and services have not been produced in the transfer

55. In the equation C=a+bY which describes the aggregate consumption "a" stands for

A. the amount of consumption when income is zero

B. the amount of income when consumption is zero

C. the average consumption level

D. the marginal propensity to consume

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

A. Consumption B. Gross Profit

C. Gross Capital Formation D. Import and Export

57. Which of the following is not true about a given Production Possibility Frontier (PPC)?

A. It is based on the assumption that the economy is operating at full employment

B. The quantity of resources of given quality is fixed

C. It is based on changing technology

D. It is based on two products

58. Which of the following pair of items have to be excluded from the computation of NDP (Net Domestic Product)?

A. Depreciation and transfer payments

B. Foreign investment in domestic economy and remittances

C. Foreign employees' compensation and export

D. Government expenditure and government tax

59. Ceteris Paribus, which of the following is true about the effect of right ward shift in supply curve on equilibrium price and equilibrium quantity?

A. Equilibrium price increases while equilibrium quantity decreases

B. Equilibrium price decreases while equilibrium quantity increases

C. Equilibrium price and equilibrium quantity decreases

D. Equilibrium price and equilibrium quantity increases

60. Which of the following monetary policy instruments are implemented if a country follows expansionary monetary policy?

A. Buying of bonds and bills

B. Increasing reserve requirements

C. Increasing lending rates D. Increasing deposit rates

61. If a production function exhibits increasing returns to scale, then it is a

A. short-run production function and if all inputs are increased by 2 fold, output will increase by more than 2 fold

B. long-run production function and if all inputs are increased by 2 fold, output will increase by more than 2 fold

C. short-run production function and if all inputs are decreased by 2 fold output will increase by more than 2 fold

D. long-run production function and if all inputs are increased by 2 fold, output will increase by less than 2 fold

62. If employment rate rises by 2% while labour force growth is 3%, which of the following statements holds true?

A. The unemployment rate rises by 1%

B. The unemployment rate decreases by 1%

C. The unemployment rate doubles

D. There will be no change in employment

63. Which one of the following does not cause an increase in supply?

A. An increase in the commodity's price

B. An improvement in technology

C. A reduction in factor price

D. An increase in tax

64. Because the price elasticity of demand for Edget Chora cafeteria is 0.2, then the cafeteria should.

A. Lower price to increase revenue

B. increase price to increase revenue

C. Increasing or decreasing price does not change revenue

D. stop giving the service.

65. As the consumer increases consumption, then the marginal utility.

A. Increases B. remains unchanged C. Decreases D. None

66. The law of diminishing marginal utility is operational based on

A. he/she consumes different products

B. There is time gap in consumption

C. the consumer is rational

D. the taste of consumer is changing

67. Which of the following statement is not true about the informal sector of an economy?

A. Usually difficult to measure and include in GDP.

B. Consists of both legal and illegal activities.

C. If its size is large , tax evasion is very low.

D. If its size is high, GDP will be understated.

68. The Ethiopian government can decrease inflationary pressure by

A. Increasing taxation

B. Depreciation birr value

C. Increasing government spending

D. Financing budget deficit through money printing.

69. When income is zero a minimum level of consumption must be maintained for survival. This is called:-

A. Autonomous consumption

B. Induced consumption.

C. Total consumption

D. Saving

70. All are true about the major determinants of saving at the individual and national levels EXCEPT

A. A lower wealth level leads to a lower saving level.

B. If prices are expected to fall in the future, present consumption is less, and hence saving is more.

C. A higher rate of interest induces lower saving. This principle also acts inversely.

D. A higher level of direct taxes produces a lower level of personal disposable income and hence reduced saving

71. Which one of the following statements is incorrect about the impact of foreign trade on GDP?

A. When exports are less than imports, the country has a trade surplus and thus GDP rises.

B. When exports are equal to imports, the country has a trade balance and thus GDP is not affected by foreign trade.

C. When imports are more than exports, the country has a trade deficit and thus GDP falls.

D. None of the above.

Item 71 to 75 are to be attempted by Visually Impaired Students

72. Market equilibrium is a situation in which

A. Non crossing supply and demand curves exist
B. Quantity demanded is greater than quantity supplied
C. Quantity demanded is equal to the quantity supplied
D. Quantity demanded is less than quantity supplied

73. All are factors that determine aggregate demand EXCEPT

A. The general Price level of the good itself

B. The general level of income of the population.

C. The level of economic activity in the country

D. General cost of production in the country

74. Which one of the following is **not** the general objective of macroeconomic policy?

A. Equality in the distribution of income and wealth.

B. Minimum feasible output.

C. High rate of economic growth.

D. A healthy balance of payment

75. If net factor income (NFI) is negative. Then,

A. Gross domestic product is greater than gross national product.

B. Gross domestic product equals to gross national product.

C. Gross domestic product is less than gross national product.

D. None of the above.

76. Which of the following is not one of the three core economic issues that must be resolved

A. How to produce the goods and services we select
B. What to produce with unlimited resource
C. Who should get the goods and services we produce
D. What to produce with limited resources

Item 77 to 80 are to be attempted by sighted students only

77. If a market demand is given by Qd= 100-2p,
Calculate price elasticity of demand when price is birr 20

A. 2/3 C. 0.5
B. 3/2 D. 1.5

78. Given the following total cost and total revenue function. TC= $100+60Q-12Q^2+Q^3$
And TR = 60Q. Based on the above information find the short run equilibrium output and profit respectively,

A. 156 and 8
B. 8 and 156
C. 156 and 100
D. 8 and 100

Answer question number 79 and 80 based on the following information.

Consider a consumer with consumption function by; C= 200+ 0.75 Y_d and disposable income of Birr 6,000.

79. The amount of consumer's total consumption equals

A. Birr 6000
B. Birr 4500
C. Birr 5800
D. Birr 4700

80. The amount of consumers savings equals to

A. Birr 200
B. Birr 1100
C. Birr 1500
D. Birr 750