Unity Academy Secondary School - Keranyo Branch

Economics Review Questions for Grade 12

I. Choose the best answer on the following questions

1. Which one 0f the following is not a component ofnational income?
   A. Rents B. profit C. wages and salaries D. currency in circulation

2. Which part of investment is used to increase the capital stock of an economy?

A.net investment B. gross investment

C. deprecation allowance D. replacement of used up capital

3. If marginal propensity to consumption is 0.6, then marginal propensity to saving equals ------

A.1 B. 0.3 C. 0.4 D. 0.2

4. When disposable income is zero, ----------zero.

A. total consumption C. net income

B. induced consumption D. autonomous consumption

5. A kind of trade restriction that places a limit on the amount that can enter into a country isknown as

A. exchange controls B. quota C. tariff D. embargo

6. If a country's total export is greater than its total import, the country is said to have

A. trade balance B. Excess supply C. trade surplus D. trade deficit

7. The accumulation of annual loans entered between the Ethiopian government,creditor nations and lending institutions is referred to as-------

A. national debt service B. net foreign asset C. domestic debtD. national reserve

8. If a nation can produce more of a certain commodity with the given quantity of the resources than other nations can do, then that nation is said to have

A. comparative advantage B. trade nation C. economic advantage D. absolute advantage

9. The foreign trade policy of the Derg is included all of the following, except ----------

A. mobilizing government revenue by imposing taxes on imports and exports

B. protecting domestic producers from foreign competition

C. gradual enhancement of the private sectors' participation in foreign trade

D. respective foreign exchange licensing system for private use

10. Identify the correct relationship from the following

A. MPC-MPS =1 B. 1= MPC- MPS C. APC + APS = 1 D. APS-MPC =1

11. If disposable income changes, then

A. induced consumption will changeB. autonomous consumption will change

C. total consumption does not change D. induced consumption will not change

12. Consumption expenditure is largely based on;

A. personal income B. personal disposable income

C. national income D. net national product;

13. Real GNP can be defined as;

A. the final estimate of GNP for a period B. GNP unadjusted for inflation

C. GNP adjusted for inflation D. Total income minus indirect business tax

14. Macroeconomic equilibrium occurs when;

A. aggregate demand equals prices

B. Market demand equals market supply

C. price equals the value of the market product

D. Aggregate quantity demand equalsaggregate quantity supply

15. Which of the following causes cost push inflation?

A. Aone-time increasein aggregate demand B. continual decrease in aggregate supply

C. continual increase in aggregate supply D. A one-time decreasein aggregate supply

16. The price unit of one nation's currency in terms of a unit of a foreign currency is called-----?

A. barter system B. foreign exchange

C. the real exchange rate D. the nominal exchange rate

17. Which of the following refers to the rate at which goods are exchanged for one another international trade?
A. terms of trade B. specialization C. opportunity cost D. exchange rate

18. Extremely high inflation is relevant definition to;

A. deflation B. inflation C. stagflation D. hyperinflation

19. The type of unemployment thatrequires additionaltraining or upgrading the skill of workers is called-----?
A. structural unemployment B. frictional unemployment

C. natural unemployment D. cyclical unemployment

20. The difference between export and import is called---?

A. capital balance B. budget deficit C. trade balance D. balance of payment

Question number 21-25 is based on the given information

A.government final consumption expenditure=1400F. import =225

B. change in stocks=210G. depreciation =80

C. private final consumption expenditure=820 H. factor income to abroad = 78

D. net domestic capitalformation =275 I. factor income from abroad = 194

E. export = 175

21.The GDP = ---------- A. 2459 B. 175 C. 2655D. 8060

22. The NFI = ---------- A. 2539B. 2655 C. 116D.1900

23. The GNP is = ---------- A.2459 B. 8060C. 2539D. 188

24. The NDP is = ----------A. 2539 B. 2575 C. 1153D. 220

25. The NNP is = ----------A. 2459 B. 775 C. 1085D. 2575

26. Monetary policy is concerned with influencing

A. The level of government expenditure B. The price and availability of money

C. The general level of money wages D. The level of shares onthe stock market

27. Which of the following is classified as monetary policy?

A. the government changing the amount of its purchases

B. the government changing interest rates

C. the government changing its level taxation

D. the government financing a change in money wages

28. Which best describes the fundamental objective of monetary policy?

A. a full employment, on-inflationary level of total output B. Minimizes economic growth

C. decreases output D. increases poverty

29. Which of the following is not a tool of monetary policy?

A. open market operation B. changes in tax rates

C. change in the discount rates D. change in reserve requirements

30. Autonomous investment is;
A. income elastic B. income inelastic
C. depend up on rate of corporate tax D. Depend up on rate of interest

31. A --------- tax system places a relatively large tax burden on upper-income people and relatively small
tax burden on lower-income people.
A. progressive B. regressive C. proportional D. tax rate

32. Which of the following exists when expenditure exceeds revenue from taxes?

A. government debt B. budget deficit C. balanced budget D. budget surplus

33. Which of the following consists of the total accumulated borrowings by the government?

A. budget deficit B. balanced budget C. government debt D. budget surplus

34. If people with higher incomes pay a higher percentage of income in taxes, the income tax structure is-

A. progressive taxB. regressive tax C. TOT D. stamp duty

35. In general, federal and regional income taxes in Ethiopia tend to be;

A. proportional tax B. progressive tax C. regressive tax D. Flat

Question number 36- 39 based on the equationbelow.

Consider a consumer with a consumption function given by C= 110 + 0.75yd, and disposable income of birr 4800. Calculate the consumers;

36. Autonomous consumption

A. 200 B. 110 C. 3,600 D. 550

37. Induced consumption

A. 3,600 B. 1200 C. 4800 D. 110

38. Total consumption

A.4800 B. 3600 C. 3700 D. 4910

39. Saving

A. 4800 B. 1200 C.3600 D.1200

40. The phase of business cycle during whichbusiness confidence in the economy is at its lowest is known as;
A. recovery B. peak C. depression D. contraction

41. Demand Pull inflation;

A. is due to the decline over time in aggregate demand

B. is caused by rising input price

C. is caused by rising price

D. is caused by continual increase in aggregate demand beyond the potentialreal GNP level

42. Unemployment caused by economic decline or recession is called;
A. cyclical unemployment B. frictional unemployment
C. structural unemployment D. natural unemployment

43. When a country export more than it imports, what is the value of net export?
A. negative B. positive C. zero D. one

44. Personal income minus income tax payments yield;

A. disposable income B. personal capital C. transfer payments D. private owner ship

45. The sum total of the money value of exports and imports is known as;

A. volume of trade B. value of trade C. total trade D. trade balance

46. Which of the following is soft currency?

A. Indian rupee B. USA dollarC. British pound D. French franc

47. The consumption function is arelationship between;

A. Level of consumption and investment B. Level of income and consumption

C. Level of income and saving D. Levelof consumption and saving

48. Which of the following is not the function of the commercial bank?

A. issue of paper notes C. acceptance of deposit

B. Advancing loans D. credit control

49. The structure of Ethiopian exports dominated by

A. industrial products B. tourism C. agricultural products D. service

50. Chaltu makes birr 30,000 per year and pays birr 10,000 income taxes. Kebede makes birr 40,000 and pays birr 6,000 income taxes. This is an example of

A. a progressive tax B. a proportional tax

C. the benefit received principle D. a regressive tax

51. Which of the following is not a role of government?

A. reduction poverty B. promoting efficiency

C. increasing unemployment D. maximum feasible output

52. Which of the following is not the duty and responsibility of regional government?

A. primary and secondary education service B. Control of Agricultural and natural resources

C. designing of economic and social policies D. rural roads construction

53. Which of the following is not direct tax of ordinary revenue?

A. value added tax B. personal income tax

C. business income tax D. rental income tax

54. The Ethiopian income tax is based on the ---------?

A. horizontal equity B. proportional tax C. progressive taxD. regressive tax

55. The use of government spending and taxation to stabilize the economy is said to be--------?

A. budget policy B. fiscal policy C. trade policy D. monetary policy

56. The management of money supply and its link to price, interest rates and other economic variable by a government regulatory body is known as ----------?

A. insurance company B. monetary policy C. fiscal policy D. income policy

57. Which of the following is not regarded as a financial institution in Ethiopia?

A. insurance company B. micro and small enterprises C. trade and industries D. banks

58. Consumption function is the relationship between;

A. level of consumption and investment B. level of consumption and income

C. level of saving and consumption D. level of income and saving

59. Which one of the following is a capital expenditure of the government?

A. payment of pension B. purchase of machinery

C. grants D. payment of subsidy on production

60. Pension and unemployment allowances are;

A. transfer income B. generated income C. mixed income D. income earned