INJIBARA and* AGEW MIDIR*GENERAL SECONDARY AND PREPARATORY SCHOOL ECONOMICS MODEL EXAM STANDARDIZED** work sheet **FOR GRADE12 IN2012E.C

TIME ALLOWED1:30hrs

I. CHOOSE THE BEST ANSWER FROM THE GIVEN ALTERNATIVES

1. From the following basic economic questions, which **basic economic question** is asked in implying the **type of product** produced by producer?

A. What to produce C. how to produce

B. For whom to produce D. all of the above

2. Which of the following is correct about the nature of economic laws?

A. Permanent and general C. Not conditional

B. completely exact and definite D. scientific in nature

3. Among the following which economic system promotes the **co-existence** of private and Government in economic decision?

A. Command economy C. Mixed economy

B. capitalist economy D. socialist economy

4. Which one of the following is true about the circular flow of economic activities in closed economy? A. Firms are owners of factors of production

B. Firms are sellers of factors of production

C. Households are owners of goods and services

D. Households are buyers of goods and services

5. All are properties of indifference curves except?

A. They do not cross to each other C. They are down ward sloped

B. They are concave to the origin D. Higher indifference curve contains high utility

6. Which one is true about implicitly cost?

A. Cost which is not part of private cost C. Cost of non-purchased inputs

B. Cost having direct expenses D. Cost which is not incurred by the firm

7. In the short run period of production, when output increase, The AFC is_____

A. Decrease B. Increase C. Constant D. Indeterminate

8. In the short run, if the firm does not produce any output (Q=0), then

A. Variable cost is zero C. Total cost is zero

B. Total cost and total Fixed cost are equal D. All except B

9. All of the following cost curves are U shaped except

A. LAC B. AFC C. AVC D. MC

10. In which type of market structure only one seller is existed?

A. Perfectly competitive market C. Oligopoly

B. Pure monopoly D. Monopolistically competitive

11. Which one is not true about utility?

A. Utility is subjective C. Utility is objective

B. Utility varies from time to time D. Utility varies from place to place

12. Among the following which one is not objective of macro-economic policy?

A. Achieving maximum possible output C. Achieving high rate of economic growth

B. Achieving price stability D. Achieving unequal distribution of resources

13. Among the following types of unemployment which one is caused by fluctuation of economic activity?

A. Frictional unemployment C. Cyclical unemployment

B. Structural unemployment D. All

14. All are possible causes for demand –pull inflation except_____

A. Rising cost of production C. Deficit financing

B. Increase in money supply D. Credit expansion

15. All are ways of government budget deficit financing except_____

A. External borrowing B. Domestic borrowing C. Money printing D. None

16. Which one is not part of direct tax?

A. Business income tax B. Personal income tax C. Value added tax D. Rental income tax

17. Among the following which one is false about national income account?

A. It measures only the value of final goods and services

B. It measures the value of intermediate goods

C. It is counted for a period of one accounting year D. All

18. Which one is true if the value of NFI from the abroad is positive?

A. GNP is greater than GDP C. GDP is greater than GNP

B. GNP is equal to GDP D. All

19. Which method of measuring GDP is most suitable?

A. Income method B. Production method C. Value added method D. Expenditure method

20. Among the following which one is not true about RGDP and NGDP?

A. Real GDP helps to reflect economic growth

B. Real GDP is affected by only output level

C. Nominal GDP measures by base year price

D. Nominal GDP can be affected by price & output level

21. Among the following which one is false?

A. MPC decrease as income increase C. MPS decrease as income increase

B. MPS of the poor is lower than that of the rich D. MPC of the rich is lower than that of the poor

22. Which one is true about the impact of foreign trade on GDP in open economy?

A. If export value is less than import value GDP will decrease

B. If import value is less than export value GDP will increase

C. If import value is equal to export value GDP will not be affected

D. All

23. All are components of current account except_____

A. Trade balance B. Net services C. Direct investment D. Net transfer

24. Revaluation of Ethiopian Birr relative to Japans Yen would tend to

A. Encourage export value of Ethiopia C. Discourage export value of Ethiopia

B. Discourage import value of Ethiopia D. Encourage import value of Japan

25. If the government wishes to reduce inflation in the economy, the appropriate fiscal & monetary policy would be:

A. Increasing tax and increasing cash reserve ratio (CRR)

B. Reducing tax and reducing cash reserve ratio (CRR)

C. Increasing money supply and increasing government expenditure

D. Reducing government expenditure and increasing money supply

26. All are instruments of Contractionary monetary policy except_____

A. Increasing bank rate C. Increasing cash reserve ratio

B. Decreasing money supply D. Decreasing cash reserve ratio

27. The sales of second hand goods are not included in GDP because

A. These goods are available at cheaper price

B. These goods are less useful

C. These goods are not the current year production

D. These goods have a short life

28. If value of GDP is 4000, value of factor income from abroad is 1500 and value of factor income to abroad is 2000, what is value of GNP?

A. 3500 B. 7500 C.1500 D. 4000

29. Suppose a given family has an income of Birr 20,000 and saves only Birr 2000. What is value of APC & APS respectively?

A. 0.1 & 0.9 B. 0.5 & 0. C. 9 & 1 D. 0.9 & 0.1

30. If national income of country increases from Birr 200 to 250 million and saving increases from Birr 50 to 75 million, then what is value of MPC?

A. 0.025 B. 0.75 C. 0.5 D. 0.05

- Based on the following information answer questions from 31- 33, if the consumption function is given as: **C= 60+0.25Yd and Yd. is Birr 10,000**.

31. What is value of induced consumption? A. 0.25 B. 2500 C. 10,000 D. 2560

32. What is value of total consumption? A. 2560 B. 7500 C. 2500 D. 60

33. What is value of saving? A. 60 B. 2500 C. 2560 D. 7500

34. Which one of the following is correct about Ethiopian population demographics?

A. High living standard C. low doubling time

B. Low growth rate D. high life expectancy

35. Which one of the following is the main problem of industrial sector in Ethiopia?

A. Shortage of unskilled labor C. Shortage of foreign exchange

B. High level of industrial capacity D. High level of management

36. Which one of the following is the major problem of Ethiopian agriculture which caused by diminished per –capital land holding of peasants?

A. Drought C. land fragmentation

B. Soil degradation D. all of the above

37. Which of the following is **NOT** the main feature of agriculture in the Ethiopian economy?

A. It is the source of food industrial groups C. it is the source of none agro based

B. It provides employment opportunity D. it generates foreign exchange earning

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40. Suppose that the two commodities “X” and “Y” are used by a consumer to derive expected utility and when the price of commodity “X” increase, the demand for good “Y” automatically raise. Then, the two commodities are --------

A. Normal goods C. complementary goods

B. Substitute goods D. necessity goods

41. Which one of the following is **NOT** held constant when demand schedule is defined?

A. Income of the consumers C. number of consumers

B. price of the commodity D. Price of related goods

42. A movement along a supply curve can be caused by a change in_____

A. Income of consumers C. price of substitutes

B. Price of commodity D. future expectation of price of commodity

43. According to Cardinal utility theory consumer can maximize their utility when----------

A. $\frac{MUA}{PA} = \frac{MUB}{PB}$

B. $\frac{MUA}{PB} = \frac{MUB}{PB}$

C. $\frac{MUB}{PA} = \frac{MUB}{PA}$

D. $\frac{MUA}{PA} = \frac{MUA}{PB}$

44. Suppose that market demand function for commodity "X" is $Q_x = 30 - 2P$ and the market supply function for commodity "X" is $Q_x = -6+P$, then what equilibrium price and equilibrium quantity in Birr per units of commodity "X" respectively?

A. 6Birr and 12 units
B. 8 Birr and 6 units
C. 12 Birr and 6Units
D. 6 Birr and 8 units

45. Which one is true about equilibrium price and quantity when both demand and supply increase at the same time?

A. Both price and quantity increase
B. Price increase and quantity decrease
C. Both price and quantity decrease
D. Price is indeterminate and quantity increase

46. Consider that an average income of Ethiopians increases from Birr 100 to Birr 110 per month. As a result, his /her demand for goods "X" increases from 10 units to 15 units, then calculate income elasticity (use point method).

A. 0.23 B. 0.32 C. 3 D. none of the above

47. Which of the following is the assumption of the law of diminishing marginal utility?

A. Homogenous product
B. No time gap during consumption
C. constant taste and fashion of products
D. all of the above

48. Which one is true about **TU** and **MU**?

A. TU decrease as long as MU is positive
B.TU is maximum when MU is negative
C. TU is maximum when MU is zero
D. TU starts to increase when MU is negative

49. Among the following which one may not be the way to improve agricultural sector in Ethiopia?

A. Establishment of peasant association
B. Rehabilitation of natural resources resources
C. Distribution of improved seed
D. Unwise use of natural

50. Which one is not the problem of agricultural sector in Ethiopia?

A. Land fragmentation
B. Drought
C. Low cost of agricultural input
D. Soil degradation

51. Which one is **TRUE** about history of modern industry in Ethiopia?

A. Most industrial groups established during time of their emergence were owned by domestic firms.

B. Creation of strong relationship with USA and UK by monarchy paved the way for

industrial expansion.

C. Monarchy had made very weak commitment to accelerate industrial growth.

D. Establishment of Ethio-Djibouti railway had adverse effect for introduction of modern industries

52. All of them were measurements of **Imperial government** to encourage Large scale Mechanized Commercial farm in Ethiopia **except?**

A. Credit arrangement
B. Tax holiday for the first five years
C. Low land use fees
D. Imposing high tax on heavy machineries

53. Which industrial group is dominant in Ethiopian economy in terms of total output?

A. Food & beverages B. Textiles C. leather & footwear D. wood & furniture

54. Which one is the dominant type of farming system in Ethiopia?

A. Commercial farming system
B. Smallholder farming system
C. Pastoral farming system
D. Nomadic farming system

55. Which one is false about the Ethiopian agricultural sector?

A. It provides livelihoods for the majority of Ethiopians
B. It is dominated by crop production
C. Crop production is dominant at the lowland area
D. It is characterized by land holding per household less than two hectares

56. The largest share of agricultural GDP in Ethiopia comes from

A. Livestock production B. Forestry C. Crop production D. Mining

57. Among the following which one provides the first for foreign exchange contribution?

A. Food and Beverage B. Leather and foot wear C. Textile D. None metal

58. The role of industrial sector in terms of contribution to GDP is

A. Low as compared to that of service sector C. High as compared to that of agriculture

B. High as compared to that of service sector D. Equal as compared to that of agriculture

59. Which one of the following is false about the agriculture policies of the Derg in Ethiopia?

A. Nationalization of almost all private and commercial agriculture
B. Voluntary villagization and settlement
C. Prohibition of private investment in agricultural sector
D. Involuntary collectivization of peasants into peasant association

60. Which one of the following is ***not possible remedy*** for agricultural problems in Ethiopia?

A. Promote committed use of small scale irrigation.
B. Pursue heavy dependence on rain- fed farming.
C. Promote the production of drought resistant crops.
D. Encouraging extension service capacity building.

61. Which of the following event contributed to the introduction of the modern manufacturing in Ethiopia?

A. Emergence of strong central government B. Foreign nationals residing in Ethiopia
B. The construction of Ethio-Djibouti railway D. All

62. Which sector is the second largest sector in Ethiopia?

A. Service B. Industry C. Agriculture D. All

63. According to current Ethiopian educational curriculum preparing students for higher education is the major objective of ____

A. Primary 1st cycle B. Secondary 1st cycle C. Secondary 2nd cycle D. Primary 2nd cycle

64. Low level of industrial sector in Ethiopia is attributed from all of the following except---------

A. Low productivity level C. High industrial base

B. Under utilization of capacity D. High dependence on imported technology

65. The production structure of Ethiopian manufacturing is dominated by _____

A. Textile, metallurgical and food C. Textile, chemical and food

B. Food, Beverage and Textile D. Textile, chemical and Wood Product

66. Which marketing channel allowed Ethiopia to sell sugar product in European market under tariff free transaction?

A. African Growth and Opportunity Act (AGOA)
B. Common Market for East and South Africa(COMESA)
C. Economic Community of West African States(ECOWA)
D. South African development corporation conference (SADCC)

67. Which one is true about production possibility curve?

A. Any production inside the PPC is efficient

B. Any production beyond PPC is inefficient

C. Any production outside PPC indicates full utilization of resource D. All

68. When the short run marginal product of labor is greater than the average product of labor:

A. Average product of labor increasing C. Average product of labor is decreasing

B. Average product of labor is equal to zero D. All

69. Suppose the average product of 3 workers is 80 units of good and that of 4 workers is 100units. The MP fourth worker is equal to---

A. 160 B. 180 C. 290 D. 240

70. Identify the correct statement about comparative advantage principles

A. A nation should produce & sell the greatest advantage
B. The country produce a quality product over the nation
C. The country should produce the commodity more cheaply than the others
D. A nation should import when it produces most effectively & efficiently

71. All of the following describes the incentives to encourage industrial sector during the imperial period except------

A. Exemption from duty payment C. Easy financing loan
B. Exist discriminatory interest rate D. Tax holiday

72. Select the limitation of the uni-modal agricultural development path strategy

A. It focuses on food crops rather than marketable products
B. It promotes the eviction of small peasants
C. It promotes large scale diversification D. None

73. The number of female students decreases from primary to secondary education because of----------

A. Challenges related to girls education become greater as one move secondary
B. High schools available close to girl
C. Families able to pay for housing and related activities D. All

74. The ----------sector has more potential to create job opportunities for the rapidly growing urban population

A. The industrial sector C. The service sector
B. The agricultural sector D. none of the above

75. In which industrial group more foreign currency obtained

A. Food and beverage C. Wood and furniture
B. Leather and footwear D. Textile

76. During the later years of the imperial era the main strategy for industrial development was----------

A. Tax holiday C. Exemptions from duty payment
B. Easy financing loans D. Import –substitution

77. In the classification of manufacturing sector which one is greater percentage in numbering

A. Large and medium scale C. Cottage/handicraft
B. Small-scale D. A and C

78. The distribution of manufacturing establishment depends on----------

A. Input and output market C. Water and electricity
B. Infrastructure development D. All of the above

79. Formal education began in 1908. However, the education system in Ethiopia suffered from shortcoming in----

A. Coverage C. Relevance
B. Efficiency D. All

80. ----------is absolutely critical to nations development and highest public return on investment in education

A. Primary education C. Higher education
B. Secondary education D. None

SET BY M.T AND F.A