
EXAM COLLECTIONS

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ECONOMICS

Collected By
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ADDIS ABABA

UNIVERSITY





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INSTRUCTION: MULTIPLE CHOICE

1. THE CHOICE OF PROPORTION OF LABOR AND CAPITAL, AND THE TYPE OF TECHNOLOGY USED TO PRODUCE A COMMODITY REFERS TO THE QUESTION OF:
A. WHAT TO PRODUCE
B. FOR WHOM TO PRODUCE
C. HOW TO PRODUCE
D. WHERE TO PRODUCE
E. B AND D

2. WHICH ONE OF THE FOLLOWING IS TRUE ABOUT THE CIRCULAR FLOW OF ECONOMIC ACTIVITY?
A. HOUSEHOLDS BUY GOODS AND SERVICES IN THE PRODUCT MARKET
B. HOUSEHOLDS INCUR EXPENDITURE IN THE FACTOR MARKET
C. FIRMS REPRESENT THE DEMAND-SIDE IN FACTOR MARKET
D. A AND C ARE ANSWERS
E. NONE OF THE ABOVE

3. THE PRODUCTION POSSIBILITY FRONTIER (PPF. IS DOWNWARD SLOPING AND CONCAVE TO THE ORIGIN. THIS IMPLIES:
A. THE CONCEPT OF CHOICE AND SCARCITY
B. THE OPPORTUNITY COST OF A GIVEN COMMODITY INCREASES
C. THERE IS SPECIALIZATION IN INPUTS
D. ALL OF THE ABOVE
E. A AND B ARE ANSWERS



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4. A CAPITALIST SYSTEM IS CHARACTERIZED BY

- A. PRICE MECHANISM AND EXISTENCE OF NEGATIVE EXTERNALITIES
- B. COEXISTENCE OF STATE AND PRIVATE PROPERTY OWNERSHIP
- C. INCOME REDISTRIBUTION BY THE GOVERNMENT
- D. BALANCED ECONOMIC GROWTH
- E. NONE

5. DECREASE IN INPUT PRICE AND ADVANCEMENT OF TECHNOLOGY

- A. WILL SHIFT THE DEMAND CURVE INWARD
- B. WILL SHIFT THE SUPPLY CURVE TO THE RIGHT
- C. WILL SHIFT THE SUPPLY CURVE TO THE LEFT
- D. WILL SHIFT THE DEMAND CURVE OUTWARD
- E. NONE

6. IF X IS A NORMAL GOOD AND THE AVERAGE INCOME OF THE CONSUMERS OF COMMODITY X INCREASES, WHAT WILL HAPPEN TO EQUILIBRIUM PRICE AND QUANTITY OF X, CETERIS PARIBUS?

- A. EQUILIBRIUM PRICE INCREASES WHILE QUANTITY DECREASES
- B. BOTH EQUILIBRIUM PRICE AND QUANTITY INCREASES
- C. EQUILIBRIUM PRICE DECREASES WHILE QUANTITY INCREASES
- D. BOTH EQUILIBRIUM PRICE AND QUANTITY DECREASES
- E. NONE OF THE ABOVE

7. REASON/S FOR DIFFERENCES IN PRICE ELASTICITY OF DEMAND IS/ARE

- A. THE NATURE OF THE GOOD
- B. AVAILABILITY OF SUBSTITUTES
- C. ADJUSTMENT TIME
- D. ALL OF THE ABOVE
- E. A AND B ARE ANSWERS



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8. IF AN ECONOMY MOVES FROM PRODUCING 10 METRIC TONS OF WHEAT AND 4 METRIC TONS OF MAIZE TO PRODUCING 7 METRIC TONS OF WHEAT AND 5 METRIC TONS OF MAIZE, THEN THE OPPORTUNITY COST OF PRODUCING ONE MORE METRIC TON OF MAIZE IS:

- A. 7
- B. 10
- C. 3
- D. 1
- E. NONE

9. ONE OF THE FOLLOWING RESULTS IN A DECREASE IN DEMAND?

- A. AN INCREASE IN INCOME, IF THE GOOD IS NORMAL.
- B. A DECREASE IN THE PRICE OF A COMPLEMENT TO THE GOOD.
- C. AN INCREASE IN THE PRICE OF A SUBSTITUTE FOR THE GOOD.
- D. AN INCREASE IN THE NUMBER OF BUYERS
- E. NONE OF THE ABOVE

10. THE SACRIFICE INVOLVED WHEN YOU CHOOSE A PARTICULAR COURSE OF ACTION IS CALLED THE:

- A. ALTERNATIVE
- B. OPPORTUNITY COST
- C. CONSUMER COST
- D. PRODUCER COST
- E. B AND D



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11. ALL OF THE FOLLOWING ARE FEATURES OF MIXED ECONOMIC SYSTEM EXCEPT:

- A. INSTABILITY
- B. ECONOMIC WELFARE
- C. RED TAPISM
- D. ECONOMIC PLANNING
- E. C AND D

12. SUPPOSE THE PRICE OF GOOD X INCREASES. IF X AND Y ARE SUBSTITUTES, THEN, IN THE MARKET FOR GOOD Y, WE WOULD EXPECT, CETERIS PARIBUS

- A. AN INCREASE IN BOTH THE EQUILIBRIUM PRICE AND QUANTITY.
- B. A DECREASE IN THE EQUILIBRIUM PRICE AND AN INCREASE IN THE EQUILIBRIUM QUANTITY.
- C. AN INCREASE IN THE EQUILIBRIUM PRICE AND A DECREASE IN THE EQUILIBRIUM QUANTITY.
- D. A DECREASE IN BOTH THE EQUILIBRIUM PRICE AND QUANTITY.
- E. NONE OF THE ABOVE

13. IN WHICH INSTANCE WILL BOTH THE EQUILIBRIUM PRICE AND QUANTITY RISE?

- A. WHEN DEMAND AND SUPPLY INCREASE, BUT THE RISE IN DEMAND EXCEEDS THE RISE IN SUPPLY.
- B. WHEN DEMAND AND SUPPLY INCREASE, BUT THE RISE IN SUPPLY EXCEEDS THE RISE IN DEMAND.
- C. WHEN DEMAND AND SUPPLY DECLINE, BUT DECLINE IN THE DEMAND EXCEEDS THE DECLINE IN SUPPLY.
- D. WHEN DEMAND AND SUPPLY DECLINE, BUT THE DECLINE IN SUPPLY EXCEEDS DECLINE IN THE DEMAND.
- E. C AND D



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14. GIVEN A MARKET DEMAND FUNCTION $Q_D = 10 - 2P$ AND A MARKET SUPPLY FUNCTION $Q_S = 5 + 3P$, ANSWER QUESTION 14 AND 15. WHAT ARE THE EQUILIBRIUM PRICE AND THE EQUILIBRIUM QUANTITY RESPECTIVELY?
- A. 5 AND 1
 - B. 8 AND 1
 - C. 1 AND 5
 - D. 1 AND 8
 - E. NONE OF THE ABOVE
15. WHAT IS THE PRICE ELASTICITY OF DEMAND AT THE EQUILIBRIUM POINT AND ITS INTERPRETATION?
- A. 0.5 AND INELASTIC
 - B. 1.5 AND ELASTIC
 - C. 0.25 AND INELASTIC
 - D. 0 AND PERFECTLY INELASTIC
16. THE FREE MARKET INVOLVES:
- A. FREE PROVISION OF PRODUCTS BY THE STATE
 - B. SUBSIDIZING OF PRODUCTS BY THE GOVERNMENT
 - C. MARKET FORCES OF SUPPLY AND DEMAND
 - D. ALL TRADE OCCURRING VIA BARTER
 - E. C AND D
17. WHICH OF THE FOLLOWING STATEMENTS IS INCORRECT?
- A. NORMAL GOODS HAVE POSITIVE INCOME ELASTICITY
 - B. INFERIOR GOODS HAVE NEGATIVE INCOME ELASTICITY
 - C. LUXURY GOODS HAVE HIGH INCOME ELASTICITY OF DEMAND
 - D. NECESSITY GOODS MUST ALSO BE INFERIOR GOODS.
 - E. NONE OF THE ABOVE



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18. ECONOMIC GROWTH IS DEPICTED BY

- A. A SHIFT IN THE PRODUCTION POSSIBILITIES FRONTIER OUTWARD.
- B. A MOVEMENT FROM INSIDE THE CURVE TOWARD THE CURVE.
- C. A SHIFT IN THE PRODUCTION POSSIBILITIES FRONTIER INWARD.
- D. A MOVEMENT ALONG A PRODUCTION POSSIBILITIES FRONTIER TOWARD CAPITAL GOODS.
- E. A AND B

19. ONE OF THE FOLLOWING DETERMINANTS OF DEMAND CAUSES THE DEMAND CURVE FOR A GOOD TO SHIFT INWARD

- A. INCREASES IN OWN PRICE OF THE GOOD
- B. INCREASE IN INCOME OF THE CONSUMER IF THE GOOD IN QUESTION IS INFERIOR
- C. THE CONSUMER'S EXPECTATION OF HIGHER PRICE OF THE GOOD IN THE FUTURE
- D. DECREASE IN PRICE OF THE GOODS WHICH ARE COMPLEMENT TO THE GOOD IN QUESTION
- E. POSITIVE TASTE TOWARDS THE PRODUCT

20. WHICH OF THE FOLLOWING IS NOT CORRECT ABOUT THE SUBJECT ECONOMIES?

- A. ECONOMICS IS THE STUDY OF HOW PEOPLE CHOOSE TO USE THEIR SCARCE RESOURCES TO SATISFY THEIR UNLIMITED WANTS.
- B. POSITIVE ECONOMICS ATTEMPTS TO UNDERSTAND BEHAVIOR AND ECONOMIC SYSTEMS WITHOUT MAKING JUDGMENTS WHETHER THE OUTCOMES ARE GOOD OR BAD.
- C. NORMATIVE ECONOMICS RELIES ON TESTABLE HYPOTHESES WHILE POSITIVE ECONOMICS RELIES ON VALUE JUDGMENTS TO EVALUATE OR RECOMMEND ALTERNATIVE POLICIES.
- D. MACROECONOMICS IS THE STUDY OF THE AGGREGATE ECONOMY AS A WHOLE.
- E. B AND C



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21. WHICH OF THE FOLLOWING IS A POSITIVE STATEMENT?

- A. TAXES SHOULD BE LOWER BECAUSE THEN PEOPLE GET TO KEEP MORE OF WHAT THEY EARN, SO THEY WILL WORK MORE
- B. MY ECONOMICS CLASS SHOULD LAST FOR TWO TERMS BECAUSE IT IS MY FAVORITE CLASS
- C. A 10 PERCENT INCREASE IN INCOME LEADS TO A 4 PERCENT INCREASE IN THE CONSUMPTION OF BEEF
- D. GIVEN THEIR NEGATIVE IMPACT ON PRODUCTIVITY, THE GOVERNMENT SHOULD ELIMINATE LABOR UNIONS
- E. C AND D ARE ANSWERS

22. ONE OF THE FOLLOWING IS NOT THE FEATURES OR ADVANTAGES OF MIXED ECONOMIC SYSTEM?

- A. PROVISION OF PRIVATE PROPERTY RIGHT
- B. SOVEREIGNTY OF CONSUMER AND PRODUCER IN A MARKET
- C. CONTROL OF PRICE BY GOVERNMENT OF BASIC FOOD ITEMS
- D. UNBALANCED ECONOMIC GROWTH IN DIFFERENT REGIONS
- E. C AND D ARE ANSWERS

23. POINTS OUTSIDE THE PRODUCTION POSSIBILITY FRONTIER (PPF)

- A. ARE EFFICIENT AND ATTAINABLE
- B. ARE ATTAINABLE BUT INEFFICIENT
- C. CAN BE MADE ATTAINABLE THROUGH EFFICIENT UTILIZATION OF EXISTING RESOURCES AND TECHNOLOGY
- D. ARE UNATTAINABLE
- E. NONE OF THE ABOVE



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24. WHICH ONE IS CORRECT WHEN PERFECTLY ELASTIC DEMAND CURVE SHIFTS TO UP WITH NO CHANGE IN PERFECTLY INELASTIC SUPPLY CURVE?

- A. PRICE INCREASES AND QUANTITY REMAIN CONSTANT
- B. BOTH PRICE AND QUANTITY INCREASES
- C. PRICE REMAIN SAME AND QUANTITY INCREASE
- D. PRICE INCREASE AND QUANTITY DECREASE
- E. NONE OF THE ABOVE

25. MACROECONOMIC TOPICS INCLUDE

- A. THE IMPACT OF GOVERNMENT REGULATION OF AUTOMOBILE MARKETS.
- B. NATIONWIDE EMPLOYMENT.
- C. STUDYING WHAT FACTORS INFLUENCE THE PRICE AND QUANTITY OF AUTOMOBILES.
- D. STUDYING THE DETERMINATION OF WAGES AND PRODUCTION COSTS IN THE SOFTWARE INDUSTRY
- E. A AND B

26. FACTORS OF PRODUCTION INCLUDE ALL OF THE FOLLOWING EXCEPT

- A. MACHINES MADE IN PAST YEARS
- B. MONEY
- C. ANY WHEAT FIELD THAT IS NOT IRRIGATED
- D. ENTREPRENEURSHIP
- E. RENEWABLE RESOURCES



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27. SUPPOSE THAT THE PRICE ELASTICITY OF DEMAND FOR COUGH SYRUP HAS BEEN ESTIMATED AT -2. IF QUANTITY DEMANDED INCREASED BY 10 PERCENT, PRICE MUST HAVE CHANGED BY
- A. 5 PERCENT LOWER.
 - B. 5 PERCENT HIGHER.
 - C. 10 PERCENT LOWER.
 - D. 10 PERCENT HIGHER
 - E. CANNOT BE DETERMINED FROM THE GIVEN INFORMATION
28. THE DISCOVERY OF A LARGE NEW RESERVE OF CRUDE OIL WILL SHIFT THE _____ CURVE FOR GASOLINE, LEADING TO _____ EQUILIBRIUM PRICE.
- A. SUPPLY, HIGHER
 - B. DEMAND, HIGHER
 - C. SUPPLY, LOWER
 - D. DEMAND, LOWER
29. WHEN A SOCIETY CANNOT PRODUCE ALL THE GOODS AND SERVICES PEOPLE WISH TO HAVE IT IS SAID THAT THE ECONOMY IS EXPERIENCING
- A. SCARCITY
 - B. COMMUNISM
 - C. EXTERNALITIES
 - D. MARKET FAILURE
 - E. INEFFICIENCY
30. WHEN THE PRICE ELASTICITY OF DEMAND IS PERFECTLY INELASTIC,
- A. THE ELASTICITY IS ZERO AND THE DEMAND CURVE IS VERTICAL
 - B. THE ELASTICITY IS ZERO AND THE DEMAND CURVE IS HORIZONTAL
 - C. THE ELASTICITY APPROACHES INFINITY AND THE DEMAND CURVE IS VERTICAL
 - D. THE ELASTICITY APPROACHES INFINITY AND THE DEMAND CURVE IS HORIZONTAL
 - E. NONE OF THE ABOVE

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INSTRUCTION: TRUE/FALSE

1. UNDER PERFECTLY COMPETITIVE MARKET, SOME FIRM CAN GAIN ANY COMPETITIVE ADVANTAGE OVER THE OTHER FIRM THROUGH ADVERTISING THEIR PRODUCTS
2. AT STAGE ONE, EACH ADDITIONAL UNIT OF A VARIABLE INPUT CONTRIBUTES LARGER THAN THE AVERAGE
3. MACROECONOMICS ANALYZES THE ECONOMIC BEHAVIOR OF INDIVIDUAL DECISION-MAKING UNIT AT A DISAGGREGATE LEVEL
4. THE DEMAND CURVE OF A MONOPOLIST IS DOWNWARD AS ITS PRICE TAKER
5. A FIRM INCURS LOSS WHENEVER PRICE IS LESS THAN AVERAGE COST
6. IF JAPANESE INVESTOR OWNS AN APARTMENT BUILDING IN ADDIS ABABA AND EARNS RENTAL INCOME, THE RENTAL INCOME HE/SHE RECEIVES IS PART OF ETHIOPIAN GDP
7. DURING COST PUSH INFLATION SUPPLY FOR GOODS AND SERVICE IS EXCEED THE DEMAND FOR GOODS AND SERVICE
8. AT THE SHUT-DOWN POINT, A FIRM IS INDIFFERENT BETWEEN PRODUCTION AND EXIT OUT OF THE MARKET

INSTRUCTION: MULTIPLE CHOICE

1. SUPPOSE A FIRM SELLS ITS OUTPUT ON A MARKET THAT IS CHARACTERIZED BY MANY SELLERS AND BUYERS, A DIFFERENTIATED PRODUCT, AND UNLIMITED LONG-RUN RESOURCE MOBILITY, THEN THE FIRM IS:
 - A. A MONOPOLIST
 - B. AN OLIGOPOLISTIC
 - C. A PERFECT COMPETITOR
 - D. A MONOPOLISTIC COMPETITOR



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2. WHICH OF THE FOLLOWING IS CORRECT?

- A. MANUAL LABOR IS A GOOD EXAMPLE OF FIXED INPUT
- B. PRODUCTION IS THE PROCESS OF TRANSFORMING OUTPUTS INTO INPUTS
- C. LONG RUN PRODUCTION THEORY REPRESENTS LENGTH OF TIME PERIOD
- D. THE LAW OF DIMINISHING MARGINAL RETURN OPERATES UNDER FIXED TECHNOLOGY

3. WHICH OF THE FOLLOWING IS CORRECT AT STAGE I IN SHORT RUN PRODUCTION FUNCTION?

- A. THE FIXED RESOURCE IS EXHAUSTIVELY USED
- B. THE VARIABLE RESOURCE IS UNDERUTILIZED
- C. IT'S THE BEST PLACE TO PRODUCE AS A RATIONAL PRODUCER
- D. THE FIXED RESOURCE IS UNDERUTILIZED

4. THE CURRENT ETHIOPIAN TELECOMMUNICATION MARKET STRUCTURE IS A BEST EXAMPLE OF:

- A. MONOPOLY
- B. DUOPOLY
- C. PERFECT COMPETITION
- D. MONOPOLISTIC COMPETITION

5. THE FIRST ORDER CONDITION OF PROFIT MAXIMIZING RULE IN ANY MARKET CAN BE REPRESENTED BY:

- A. $MC=P$
- B. $AC=MR$
- C. $MR=MC$
- D. $AC=P$



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6. AMONG THE FOLLOWING MEASUREMENTS, WHICH MEASUREMENT SHOWS AN INCOME RECEIVED BY FACTORS OF PRODUCTION?

- A. NET DOMESTIC INCOME
- B. NET NATIONAL INCOME
- C. NATIONAL INCOME
- D. PERSONAL INCOME

7. GIVEN $Q = 10L - 2L^2$ THE MP OF THE 2ND UNIT AND APL OF 2 UNITS OR LABOR RESPECTIVELY ARE EQUALS TO:

- A. 6 AND 2
- B. 8 AND 4
- C. 4 AND 4
- D. 2 AND 6

8. WHEN INFLATION IS A RESULT OF AN INCREASE IN THE PRICE OF FACTORS OF PRODUCTION, THE RESULT IS:

- A. DEMAND PULLS INFLATION
- B. COST PUSH INFLATION
- C. STAGFLATION
- D. NONE

9. THE TYPE OF UNEMPLOYMENT THAT MOSTLY OCCURS DURING RECESSIONS AND DEPRESSIONS IS CALLED:

- A. FRICTIONAL UNEMPLOYMENT
- B. CYCLICAL UNEMPLOYMENT
- C. STRUCTURAL UNEMPLOYMENT
- D. UNDEREMPLOYMENT



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10. SUPPOSE THE ETHIOPIAN GOVERNMENT WANTS TO REDUCE INFLATION, WHICH MEASUREMENT SHOULD BE TAKEN?

- A. INCREASE EXPENDITURE
- B. INCREASE INTEREST RATE
- C. REDUCE RESERVE RATIO
- D. REDUCE TAX

11. WHICH OF THE FOLLOWING IS NOT A SOURCE OF MONOPOLY MARKET?

- A. ABILITY TO PRODUCE AT A LOWER PER UNIT COST
- B. CONTROL OVER KEY RAW MATERIALS
- C. OWNERSHIP OF PATENT RIGHT
- D. TASTE AND PREFERENCE OF CONSUMERS

12. UNDER PERFECT COMPETITIVE MARKET STRUCTURE THE HORIZONTAL DEMAND CURVE INDICATES THAT:

- A. A SINGLE MARKET PRICE AT WHICH THE FIRM CAN SELL ANY AMOUNT OF THE COMMODITY DEMANDED
- B. THE AVERAGE REVENUE AND MARGINAL REVENUE OF THE FIRM
- C. A SINGLE MARKET PRICE AT WHICH THE BUYER CAN BUY ANY AMOUNT THEY WANT
- D. ALL OF THE ABOVE

13. THE MARGINAL REVENUE OF A MONOPOLIST IS:

- A. EQUAL TO MARGINAL COST
- B. LESS THAN MARGINAL COST
- C. EQUAL TO PRODUCT PRICE
- D. LESS THAN PRODUCT PRICE



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14. WHENEVER MC CURVE IS ABOVE AVC CURVE:

- A. AVC MUST BE FALLING
- B. AVC MUST BE RAISING
- C. AVC REACHES MINIMUM
- D. AVC REACHES MAXIMUM

INSTRUCTION: SHORT ANSWER

1. SUPPOSE THAT THE SHORT-RUN PRODUCTION FUNCTION OF CERTAIN CUT-FLOWER FIRM IS GIVEN BY:

$$Q = 4KL - 0.6K^2 - 0.1L^2$$

WHERE Q IS QUANTITY OF CUT-FLOWER PRODUCED, L IS LABOUR INPUT AND K IS FIXED CAPITAL INPUT (K=5)

BASED ON THE ABOVE INFORMATION, ANSWER THE FOLLOWING QUESTIONS

- A. AT WHAT LEVEL OF LABOUR DOES THE TOTAL OUTPUT OF CUT-FLOWER REACH THE MAXIMUM?
- B. WHAT WILL BE THE MAXIMUM ACHIEVABLE AMOUNT OF CUT-FLOWER PRODUCTION?



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INSTRUCTION: TRUE/FALSE

1. DURING HIGH UNEMPLOYMENT CONTRACTIONARY FISCAL POLICY IS RECOMMENDED
2. DECREASING REQUIRED RESERVE RATIO IS AN EXPANSIONARY MONETARY POLICY MEASURE
3. IN THE SHORT RUN PERFECTLY COMPETITIVE FIRM IS MAKING ONLY NORMAL PROFITS
4. DUOPOLY IS A SPECIAL TYPE OF OLIGOPOLY IN WHICH THERE ARE ONLY TWO FIRMS
5. SHUT DOWN POINT IS THE POINT AT WHICH PRICE IS EQUAL TO THE MINIMUM OF MARGINAL COST
6. UNDER PERFECTLY COMPETITIVE MARKET, PRICE IS GREATER THAN AVERAGE REVENUE BUT LOWER THAN MARGINAL REVENUE
7. WHEN EXPORT IS LARGER THAN IMPORT, THEN THE COUNTRY IS NET LENDER IN THE GLOBAL FINANCIAL MARKET
8. COST PUSH INFLATION RESULTS FROM RISING COSTS OF PRODUCTION
9. BREAKEVEN POINT IS A POINT AT WHICH PRICE IS EQUAL WITH AVERAGE VARIABLE COST
10. WHEN GOVERNMENT REVENUE IS LESS THAN GOVERNMENT EXPENDITURE, THERE WILL BE BUDGET DEFICIT



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INSTRUCTION: MULTIPLE CHOICE

1. WHICH TYPE OF UNEMPLOYMENT IS MORE SEVER DURING RECESSIONS AND DEPRESSIONS?
 - A. FRICTIONAL
 - B. STRUCTURAL
 - C. CYCLICAL
 - D. NORMAL

2. UNDER PERFECT COMPETITIVE MARKET HOMOGENEOUS PRODUCT IMPLIES THAT
 - A. BUYERS DO NOT DISTINGUISH BETWEEN PRODUCTS SUPPLIED BY THE VARIOUS FIRMS OF AN INDUSTRY
 - B. PRODUCT OF EACH FIRM IS REGARDED AS A PERFECT SUBSTITUTE FOR THE PRODUCTS OF OTHER FIRMS
 - C. NO FIRM CAN GAIN ANY COMPETITIVE ADVANTAGE OVER THE OTHER FIRM
 - D. ALL

3. FOR YOU TO BE CONSIDERED OUT OF THE LABOR FORCE, YOU CAN BE
 - A. A FULL-TIME STUDENT
 - B. A FULL-TIME RETIREE
 - C. PRISONERS
 - D. ALL OF THE ABOVE



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4. WHICH GOODS ARE SUPPOSED TO BE INCLUDED IN THE CPI?

- A. ALL GOODS AND SERVICES PRODUCED IN THE ECONOMY
- B. ALL GOODS AND SERVICES THAT TYPICAL CONSUMERS BUY
- C. ALL GOODS AND SERVICES IN THE INVESTMENT COMPONENT OF THE GDP ACCOUNTS
- D. ALL THE GOODS, BUT NOT THE SERVICES, IN THE CONSUMPTION COMPONENT OF THE GDP ACCOUNTS

5. A MONOPOLY IS CHARACTERIZED BY:

- A. FREE ENTRY IN TO AND EXIT OF FIRMS FROM THE INDUSTRY
- B. THERE IS A SINGLE FIRM IN THE INDUSTRY
- C. ALL PRODUCTS HAVE PERFECT SUBSTITUTES
- D. ABSENCE OF CONTROL ON STRATEGIC RAW MATERIALS/FACTORS OF PRODUCTION

6. GROSS DOMESTIC PRODUCT (GDP) OF A NATION INCLUDES THE FOLLOWING, EXCEPT ONE:

- A. ALL GOODS AND SERVICES PRODUCED LEGALLY
- B. INDIRECT BUSINESS TAXES
- C. IMPORTED GOODS AND SERVICES
- D. DEPRECIATION

7. ALL OF THE FOLLOWING ARE TRUE, EXCEPT?

- A. FIRMS EARN ABOVE NORMAL PROFIT WHEN AVERAGE COST IS LESS THAN PRICE
- B. FIRMS EARN NORMAL PROFIT WHEN TOTAL COST EQUAL TO TOTAL REVENUE
- C. FIRMS EARN ZERO PROFIT WHEN AVERAGE COST IS EQUAL WITH PRICE
- D. FIRMS EARN NEGATIVE PROFIT IF AND ONLY IF PRICE IS GREATER THAN AVERAGE COST



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8. WHICH ONE OF THE FOLLOWING STATEMENT IS TRUE?

- A. INCREASE GOVERNMENT EXPENDITURE CAUSES INCREASE IN A GENERAL PRICE LEVEL
- B. INCREASE MONEY SUPPLY CAUSES A DECREASE IN GENERAL PRICE LEVEL
- C. A DECREASE IN TAX LEADS TO DECREASE INVESTMENT
- D. AN INCREASE IN TAX RATE LEADS TO INCREASE INVESTMENT

9. WHICH OF THE FOLLOWING IS A **FALSE** STATEMENT ABOUT THE PATH OF BUSINESS CYCLE?

- A. DURING PEAK THERE IS HIGH DEMAND TO INVEST, SAVE & EMPLOY
- B. DURING RECESSION UNEMPLOYMENT RISE
- C. DURING RECOVERY OF ECONOMIC PATH UNEMPLOYMENT DECLINE AND BUSINESS EXPAND
- D. WHEN THE ECONOMY IS AT TROUGH INFLATION IS THE WORST PROBLEM

10. CONSIDER THE FOLLOWING INFORMATION FOR A PARTICULAR ECONOMY. TOTAL POPULATION = 60 MILLION, NUMBER OF EMPLOYED = 30 MILLION AND TOTAL LABOR FORCE = 40 MILLION THEN CALCULATE UNEMPLOYMENT RATE (IN %)

- A. 75
- B. 25
- C. 66.7
- D. 50



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11. WHICH MARKET IS CHARACTERIZED BY LARGE NUMBER OF SELLERS AND DIFFERENTIATED PRODUCTS?

- A. PERFECTLY COMPETITIVE
- B. MONOPOLY
- C. OLIGOPOLY
- D. MONOPOLISTICALLY COMPETITIVE

12. CONSIDER THREE CONSUMER GOODS: 100 OF GOOD A, 100 OF GOOD B, 100 OF GOOD C. IN THE BASE YEAR, GOOD A SOLD AT A PRICE OF 1 BIRR, GOOD B SOLD AT A PRICE OF 1 BIRR, AND GOOD C SOLD AT A PRICE OF 1 BIRR. IN THE CURRENT YEAR, GOOD A SOLD AT A PRICE OF 3 BIRR, GOOD B SOLD AT A PRICE OF 5 BIRR, AND GOOD C SOLD AT A PRICE OF 10 BIRR. THE CONSUMER PRICE INDEX (CPI IN %) FOR THE CURRENT YEAR IS:

- A. 100
- B. 300
- C. 500
- D. 600

13. AN INCREASE IN THE MONEY SUPPLY CAUSES:

- A. INTEREST RATES TO FALL, INVESTMENT SPENDING TO RISE, AND AGGREGATE DEMAND TO RISE
- B. INTEREST RATES TO RISE, INVESTMENT SPENDING TO RISE, AND AGGREGATE DEMAND TO RISE
- C. INTEREST RATES TO RISE, INVESTMENT SPENDING TO FALL, AND AGGREGATE DEMAND TO FALL
- D. INTEREST RATES TO FALL, INVESTMENT SPENDING TO FALL, AND AGGREGATE DEMAND TO FALL



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14. FOR MONOPOLY OR OLIGOPOLY TO EXIST, THERE MUST BE BARRIER TO ENTRY SUCH AS:

- A. GOVERNMENT REGULATION
- B. CONTROL OVER NECESSARY RAW MATERIALS
- C. ECONOMIES OF SCALE IN PRODUCTION
- D. ALL OF THE ABOVE

15. SUPPOSE A FIRM OPERATES IN A PERFECTLY COMPETITIVE MARKET WITH THE TOTAL COST FUNCTION

$TC = 1/3Q^3 - 5Q^2 + 20Q + 50$ THEN FIND SHUTDOWN PRICE

- A. 7.5
- B. 1.25
- C. 2
- D. 2.15

16. ALL OF THE FOLLOWING ARE CHARACTERISTICS OF IMPERFECT MARKETS, EXCEPT

- A. IF THERE IS FULL INFORMATION
- B. IF A FIRM IS PRICE MAKER
- C. IF PRODUCTS ARE DIFFERENTIATED
- D. IF ASSUMPTIONS OF PERFECT MARKET IS VIOLATED

17. A FIRM IN PERFECTLY COMPETITIVE MARKET PRODUCES WHERE

- A. PROFIT IS MAXIMIZED
- B. $P=MC$
- C. $MR=MC$
- D. ALL



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18. WHICH MARKET TYPE IS THE MOST AVAILABLE IN THE REALITY?

- A. PERFECTLY COMPETITIVE
- B. MONOPOLY
- C. OLIGOPOLY
- D. MONOPOLISTICALLY COMPETITIVE

19. A TYPE OF UNEMPLOYMENT IN WHICH WORKERS ARE IN-BETWEEN JOBS OR ARE SEARCHING FOR NEW AND BETTER JOBS IS CALLED ____ UNEMPLOYMENT

- A. FRICTIONAL
- B. CYCLICAL
- C. STRUCTURAL
- D. TURNOVER

INSTRUCTION: SHORT ANSWER

1. A FIRM OPERATES IN A PERFECTLY COMPETITIVE MARKET. THE MARKET PRICE OF ITS PRODUCT IS 4 BIRR AND THE TOTAL COST FUNCTION IS GIVEN BY $TC = 1/3Q^3 - 5Q^2 + 20Q + 50$, WHERE TC IS THE TOTAL COST AND Q IS OUTPUT.

A. WHAT LEVEL OF OUTPUT SHOULD THE FIRM PRODUCE TO MAXIMIZE ITS PROFIT OR MINIMIZE LOSS?

B. DETERMINE THE LEVEL OF PROFIT AT EQUILIBRIUM

2. CONSIDER THE FOLLOWING HYPOTHETICAL ECONOMY FOR COUNTRY X

1. COMPENSATION OF EMPLOYEE (WAGE) ____ 45,000

2. RENTAL INCOME ____ 1,300

3. INTEREST INCOME ____ 10,000

4. EXPORTS ____ 3,000

- 5. PERSONAL CONSUMPTION EXPENDITURE ____ 45,000
- 6. INDIRECT BUSINESS TAXES ____ 800
- 7. INCOME FROM ABROAD ____ 2,000
- 8. AGRICULTURE ____ 30,000
- 9. PAYMENT TO FOREIGNERS ____ 11,000
- 10. INDUSTRY ____ 22,200
- 11. SERVICE ____ 22,400
- 12. DEPRECIATION ____ 500
- 13. GROSS PRIVATE DOMESTIC INVESTMENT AND RESIDENTIAL INVESTMENT ____ 6,000
- 14. GOVERNMENT EXPENDITURE ON GOODS AND SERVICES ____ 2,600
- 15. PROFITS ____ 17,000
- 16. IMPORTS ____ 18,000

BASED ON THE DATA IN THE TABLE ABOVE, CALCULATE

- A. GDP USING EXPENDITURE APPROACH
- B. GNP
- C. NET EXPORT

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INSTRUCTION: TRUE/FALSE

1. NORMATIVE ECONOMICS STUDIES WHAT OUGHT TO BE IN THE SOCIETY, WHILE POSITIVE ECONOMIC STUDIES WHAT ACTUALLY OCCURS IN THE SOCIETY
2. ONE OF BASIC ECONOMIC QUESTION IS “FOR WHOM TO PRODUCE” IT SHOWS THE PROBLEM OF ALLOCATION OF RECURSE
3. SCARCITY IS A SPECIFIC AND SHORT-TERM PROBLEM BUT SHORTAGE IS A UNIVERSAL AND EVERLASTING PROBLEM
4. INFERIOR GOODS ARE GOODS WHEN THE CONSUMERS INCOME INCREASES, THE QUANTITY DEMANDS OF GOODS INCREASES
5. IF TWO GOODS ARE SUBSTITUTES, THEN AN INCREASE IN THE PRICE OF ONE OF THEM WILL INCREASE THE DEMAND FOR THE OTHER
6. CHANGE IN THE PRICE OF ITS OWN GOOD CAUSES A SHIFT IN DEMAND CURVE
7. THE CROSS-PRICE ELASTICITY BETWEEN A PAIR OF COMPLEMENTARY GOODS WILL BE NEGATIVE

INSTRUCTION: MULTIPLE CHOICE

1. ONE OF THE FOLLOWING IS NOT ASSUMED IN THE PPF MODEL
 - A. FIXED TECHNOLOGY
 - B. FIXED RESOURCES
 - C. SPECIALIZATION
 - D. NONE OF THE ABOVE



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2. WHICH ONE OF THE FOLLOWING IS NOT AMONG THE DETERMINANT FACTORS OF DEMAND?

- A. TASTE & PREFERENCE OF THE CONSUMER
- B. NUMBER OF BUYERS/ POPULATIONS SERVED IN THE MARKET
- C. FUTURE EXPECTATIONS OF PRICES AND INCOME
- D. NONE OF THE ABOVE

3. IF THE 5% INCREASE IN PRICE OF MAIZE IN THE MARKET RESULTS IN A 7% INCREASE IN SUPPLY OF MAIZE, THE PRICE ELASTICITY OF SUPPLY IS _____?

- A. INELASTIC
- B. UNITARY
- C. ELASTIC
- D. PERFECTLY INELASTIC

4. THE PRICE AT WHICH THERE IS NEITHER SURPLUS NOR SHORTAGE IS BEST DESCRIBED BY:

- A. EQUILIBRIUM PRICE
- B. ADJUSTMENT PRICE
- C. FAIR PRICE
- D. EQUAL PRICE

5. CETERIS PARIBUS, THE LAW OF SUPPLY STATES THAT:

- A. AS PRICE OF A GOOD RISES, QUANTITY DEMAND WILL DECREASE
- B. AS PRICE OF A GOOD RISES, QUANTITY SUPPLIED WILL DECREASES
- C. AS PRICE OF A GOOD FALLS IN THE MARKET, THE QUANTITY SUPPLIED WILL DECREASE
- D. AS PRICE OF A GOOD FALLS, QUANTITY DEMAND WILL DECREASES



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6. IN WHICH FORM OF ECONOMIC SYSTEM MOST FACTORS OF PRODUCTION ARE COLLECTIVELY OWNED

- A. MIXED ECONOMY
- B. FREE MARKET ECONOMY
- C. TRADITIONAL
- D. COMMAND ECONOMY

7. IF GOOD X AND Y ARE SUBSTITUTES, A DECREASE IN THE PRICE OF GOOD Y WOULD CAUSE,

- A. THE DEMAND CURVE FOR GOOD Y TO SHIFT TO THE RIGHT
- B. THE DEMAND CURVE FOR GOOD X TO SHIFT TO THE RIGHT
- C. THE DEMAND CURVE FOR GOOD X TO SHIFT TO THE LEFT
- D. A AND C

8. WHAT IS THE PRICE ELASTICITY OF DEMAND IF CONSUMER PURCHASES 10 UNITS OF A GOOD WHEN THE PRICE IS BIRR 4 AND 18 UNITS WHEN PRICE FALLS TO BIRR 2?

- A. -1.6
- B. 1.6
- C. -2
- D. 2

9. GOODS THAT ARE JOINTLY CONSUMED ARE;

- A. SUBSTITUTE GOODS
- B. NORMAL GOODS
- C. INFERIOR GOODS
- D. COMPLEMENTARY GOODS



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10. IF INCOME ELASTICITY OF DEMAND FOR GOOD Y IS POSITIVE, GOOD Y IS

- A. NORMAL GOOD
- B. LUXURY GOOD
- C. INFERIOR GOOD
- D. NECESSITY GOOD

11. YOU ARE ANALYZING THE DEMAND FOR GOOD X. WHICH OF THE FOLLOWING WILL RESULT IN A SHIFT TO THE RIGHT OF THE DEMAND CURVE FOR X?

- A. A DECREASE IN THE PRICE OF X
- B. AN INCREASE IN THE PRICE OF A GOOD THAT IS A COMPLEMENT TO GOOD X
- C. AN INCREASE IN THE PRICE OF A GOOD THAT IS A SUBSTITUTE FOR X
- D. ALL OF THE ABOVE

12. WHEN THE CURRENT PRICE IS ABOVE THE MARKET-CLEARING LEVEL WE WOULD EXPECT:

- A. QUANTITY DEMANDED TO EXCEED QUANTITY SUPPLIED
- B. A SHORTAGE
- C. GREATER PRODUCTION TO OCCUR DURING THE NEXT PERIOD
- D. QUANTITY SUPPLIED TO EXCEED QUANTITY DEMANDED

13. IF THE DEMAND OF A COMMODITY RISES WHILE THE SUPPLY OF THAT PARTICULAR COMMODITY REMAINS THE SAME, WHAT HAPPENS TO THE EQUILIBRIUM PRICE AND QUANTITY OF THE COMMODITY, RESPECTIVELY?

- A. INCREASES; INCREASES
- B. INCREASES; DECREASES
- C. DECREASES; INCREASES
- D. DECREASES; DECREASES



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14. SUPPOSE THE DEMAND FOR BOOKS IS: $Q_D = 120 - P$, AND THE SUPPLY OF BOOKS IS: $Q_S = 5P$. REFER TO SCENARIO, WHAT IS THE EQUILIBRIUM PRICE OF BOOKS?

- A. 5
- C. 15
- B. 10
- D. 20

15. BASED ON THE ABOVE SCENARIO, WHAT IS THE EQUILIBRIUM QUANTITY OF BOOKS SOLD?

- A. 25
- B. 50
- C. 75
- D. 100

16. REFER TO THE ABOVE SCENARIO AGAIN, IF $P = \$15$, WHICH OF THE FOLLOWING IS TRUE?

- A. THERE IS A SURPLUS
- B. THERE IS A SURPLUS, BUT IT IS IMPOSSIBLE TO DETERMINE HOW LARGE
- C. THERE IS A SHORTAGE
- D. THERE IS A SHORTAGE, BUT IT IS IMPOSSIBLE TO DETERMINE HOW LARGE

17. WHICH ONE OF THE FOLLOWING IS NOT AMONG THE ADVANTAGES OF COMMAND ECONOMY?

- A. ELIMINATION OF PRIVATE MONOPOLIES AND INEQUALITIES
- B. BALANCED ECONOMIC GROWTH
- C. HIGH RATE OF CAPITAL FORMATION
- D. ABSENCE OF WASTEFUL COMPETITION



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18. WHICH OF THE FOLLOWING STATEMENT IS CORRECT ABOUT SUPPLY CURVE?
- A. INCREASING IN THE COST OF PRODUCTION WILL SHIFT SUPPLY CURVE TO RIGHT
 - B. INCREMENT IN SUBSIDY WILL SHIFT SUPPLY CURVE TO THE RIGHT
 - C. INCREMENT IN TAX WILL SHIFT SUPPLY CURVE TO THE RIGHT
 - D. TECHNOLOGICAL ADVANCEMENT WILL SHIFT SUPPLY CURVE TO THE LEFT
19. WHICH OF THE FOLLOWING STATEMENTS IS CORRECT?
- A. MACROECONOMICS DEALS WITH THE INDIVIDUAL DECISION-MAKING UNIT
 - B. NORMATIVE ECONOMICS IS CONCERNED WITH STATEMENTS ABOUT “WHAT SHOULD BE”
 - C. MICROECONOMICS IS THE STUDY OF AGGREGATE ECONOMY
 - D. POSITIVE ECONOMICS IS CONCERNED WITH STATEMENTS ABOUT “WHAT COULD BE”
20. WHICH ONE OF THE FOLLOWING IS TRUE ABOUT OPPORTUNITY COST?
- A. MONETARY COST OF GOODS AND SERVICES
 - B. ALL AVAILABLE RESOURCE WHEN PEOPLES AT ZERO PRICE
 - C. MINIMUM BUDGET OF PEOPLES ON WAFER
 - D. BEST ALTERNATIVE SACRIFICED WHEN IS MADE