

**ADDIS ABABA EDUCATION BUREAU**

**2013/2021 GRADE 12 ECONOMICS MODEL EXAMINATION**

**TIME ALLOWED: 2:30 HOURS**

**GENERAL DIRECTIONS**

THIS BOOKLET CONTAINS *ECONOMICS* EXAMINATION. IN THIS EXAMINATION THERE ARE A TOTAL OF **80 MULTIPLE CHOICE QUESTION OUT OF WHICH SIGNED [NON-VISUALLY IMPAIRED CANDIDATES ARE REQUIRED TO ATTEMPT QUESTION 1-75 WHERE AS THE VISUALLY IMPAIRED ATTEMPT QUESTIONS 76-80. ALL THE ITEMS USE ONLY PENCIL TO MARK YOUR ANSWERS.**

THERE IS ONLY ONE BEST ANSWER FOR EACH ITEM. CHOOSE THE BEST ANSWER FROM THE SUGGESTED OPTIONS AND BLACKEN THE LETTER OF YOUR CHOICE ON THE ANSWER SHEET.

YOU WILL BE ALLOWED TO WORK FOR **2:30** HOURS. IF YOU FINISH BEFORE TIME IS CALLED, YOU MUST IMMEDIATELY STOP WORKING, LAY YOUR PENCIL DOWN, AND WAIT FOR FURTHER INSTRUCTIONS.

ANY FORM OF CHEATING OR AN ATTEMPT TO CHEAT IN THE EXAMINATION HALL WILL RESULT IN AN AUTOMATIC DISMISSAL FROM THE EXAMINATION HALL AND CANCELLATION OF YOUR SCORE(S).

1. Which one of the following statement is **correct**?
  - A. Economics is the study of how people choose to use their unlimited resource to produce goods
  - B. The basic problem of economic is how to make the best use of unlimited resources satiety limited wants
  - C. The basic problem of economics is allocating scarce productive resources to satisfy wants
  - D. Economics as a subject matter arises in this world because of the existence of unlimited resource and unlimited wants
2. The basic decision must be made by all economics are
  - A. What will be produced, how good will be produced, for whom goods will be produced
  - B. What the price of each good will be, how will be provided, who will consume
  - C. How the opportunity cost principle will be applied
  - D. How much will be produced, when it will be produced, how much it will produce
3. All are **correct** in perfectly competitive market structure, **except**
  - A. Average revenue is equal to price
  - B. Marginal revenue is equal to average revenue
  - C. Marginal revenue is equals price
  - D. Average revenue is greater than price
4. If we have a diminishing return to scale and we increase the quantity of labour[L] and capital [K] used of unit of firm by **25%**, output will increase by
  - A. Increase by **25%**
  - B. Less than 25%**
  - C. Greater than **25%**
  - D. All the above
5. Which one is **not true** the relationship between total utility and marginal utility
  - A. When total utility increase at an increase rate, marginal utility also increase
  - B. When total utility starts to rise, marginal utility negative
  - C. When total utility increase but at decrease rate, marginal utility declined.
  - D. When marginal utility zero, total utility maximum
6. Suppose the price of good a rise by **10%** cause the quantity demanded decrease by **10%**, demand is said to be?
  - A. Perfectly elastic
  - B. Elastic
  - C. Inelastic
  - D. Unitary elastic
7. Which one of the following is used to measure the performance of education
  - A. Life expectancy at birth
  - B. Dependency ration
  - C. Gross enrollment rate
  - D. Fertility

8. Which one is **true** the relationship between total revenue and elasticity of demand?
- A. If price and total revenue change in the same direction ,demand is elastic
  - B. If price and total revenue change in opposite direction, demand is inelastic
  - C. If price and total revenue does not change ,demand is unitary elastic
  - D. If the price and total revenue change the same direction , demand is unitary elastic
9. Which one is of the following is the additional satisfaction received over a given period by consuming one more unit of good is?
- A. Consumer equilibrium
  - B. Total utility
  - C. Marginal utility
  - D. Consumption
10. Which of the following statement is not **true** about economic laws?
- A. Economics laws are not exact and definite
  - B. Economics laws are not permanent and general
  - C. Economics laws are establish relationship between cause and effect
  - D. Economics laws are not associated with qualifications and assumption
11. When the receipts of the governments are less than its expenditures, the budget of the government is said to have;
- A. Surplus                      B. balance                      C. deficit                      D. increase
12. Which one of the following statements is **not true in** command economic systems?
- A. To solve the economic problem through state ownership and centralized planning
  - B. It is an economic system that believe in dealing with the economic problem through the ownership and decision of individual market mechanism
  - C. It is an economy where economic institution engaged in production and distribution are owned and control by the state and put to use under a centralized plan
  - D. Allocation of resource through centralized planning leads to balanced economic development
13. Which one of the following was **not** focus of the national development plan under the **EPRDF** during the period **1992-1996**?
- A. Development of a government system that ensures social justice
  - B. High rise in defense expenditure
  - C. People's participation in the democratic government of the country
  - D. Ensure peace and security
14. The main objective of macroeconomic include all ,**except**
- A. Full employment
  - B. Low rate of economic growth
  - C. Price stability
  - D. A health balance of payments
15. During the inflation, one of the following is observed?
- A. Nominal GDP and real GDP decrease the same rate
  - B. Nominal GDP and real GDP increase the same rate
  - C. Nominal GDP increases foster than real GDP

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- D. Nominal GDP increases lower than real GDP
16. Which one of the following is the dominant farming system in the Ethiopian of agricultural sector?
- A. The commercial farming system
  - B. The pastoral farming system
  - C. The pastoral farming system and smallholder farming system
  - D. The smallholder farming system
17. What does market demand refer to?
- A. Obtained by horizontally summing individual demands at each price
  - B. Obtained by horizontally summing individual supplies at market price
  - C. Adding horizontally individual supplies
  - D. Adding vertically individual demand
18. Which of the following **is not** an economic agent?
- A. Government
  - B. Household
  - C. Church
  - D. Business firm
19. Which one of the following is the present of the labor force that is **not** employed
- A. Unemployment
  - B. employment
  - C. Production
  - D. Inflation
20. Which of the following is **false** about scarcity?
- A. The perpetual and the cause root of all economics problem
  - B. The universal problem of all society
  - C. The limitation supply of commodity in relation to need for it
  - D. Unbalance between human want limited and unlimited resource available to satisfy these want
21. Of all the sector in the developing countries, one of the following has more potential to create job opportunities for the rural population;
- A. The service sector
  - B. The agricultural sector
  - C. The industrial sector
  - D. All are possible answer
22. When output is zero?
- A. Total cost equal to total fixed cost
  - B. Total cost not necessarily zero
  - C. Total variable cost zero
  - D. All are possible answer
23. Which of the following is an **example** of positive economic statement?
- A. The export growth rate should be at least **45%**
  - B. The inflation pressure building up in the economy should be controlled
  - C. The law supply explain that producer supply more only higher price
  - D. We should adopt labour intensive techniques of production
24. What are the two major source of revenue for the Ethiopia Government?
- A. Import of good and service
  - B. Industrial production and service sector
  - C. Industrial production and crop production
  - D. Non- tax and tax revenue

25. Which one of the following **best describes** the outcome of unit-modal agricultural strategy?
- A. It focus of the production of food crops with a view to ensuring food security
  - B. It allows the transfer of technology
  - C. It promotes large- scale diversification
  - D. It is dualistic agricultural development
26. The revenue side of the Ethiopian's government annual budget is composed
- A. Economic development, social development and general development
  - B. Capital revenue, External assistance and Ordinary revenue
  - C. Capital budget and current budget
  - D. Social service and Economic general service
27. Which of the following is the concern of microeconomic?
- A. How does a change in interest rate influence nation saving
  - B. How do inflation, unemployment and price instability occur
  - C. How do national economic growth?
  - D. How do firm set price of good and service
28. Gross national product measures;
- A. The total market value of all final good and service producing during a year
  - B. The market value of all product including intermediate items
  - C. The annual value of a nation's output after allowance for capital replacement has been made
  - D. The total stock of nation's wealth adjusted for change in price
29. If an increase in price of good **X**, result in decrease in a demand for good **Y**; one may Conclude that good **X** and **Y**
- A. Unrelated good
  - B. Normal good
  - C. Complementary good
  - D. Substitutes good
- 30 When a price set below the equilibrium price, which of the following is **true**
- A. Quantity demand is equal to quantity supply
  - B. It cause of shortage
  - C. Quantity supplies exceeds quantity supply
  - D. It cause of surplus

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31. Among the arguments given for industrial sector development, the surplus argument refers to?
- A. High profit margin obtained by the industrial sector due to the agriculture sector
  - B. Generation of foreign currency by exporting more
  - C. The creation of more job opportunity in the economy
  - D. The use of local raw materials and creation of interlinking among various sectors
32. Which one of the following is **not** included to compute GDP using income approach?
- A. Interest income
  - B. Compensation
  - C. Personal final consumption expenditure
  - D. Rental income
33. Which one is **not** the feature of a capitalism economic system?
- A. The right to private property
  - B. Freedom of choice by the consumers
  - C. Price mechanism
  - D. Collective ownership
34. Which of the following is an **issue** most appropriate for macroeconomic analysis?
- A. Impacts of the economic crisis on rural unemployment level
  - B. Leather demand in the foreign market
  - C. The price of maize in Ethiopia cereal market
  - D. The distribution of goods among the household
35. Mrs. Kebede S., consumes two goods A and B, when Kebede's income increases from birr **4000 to 5000**, the quantity of good A demanded by Kebede increases by **35%**. What conclusion do you draw from this?
- A. There is no change in Kebede's demand curve for both goods
  - B. Good A must be a normal good and good B must be an inferior good
  - C. Good A must be an inferior good and Good B must be a normal good
  - D. Kebede's demand curve for good B shifts to the right

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36 . Among the following statement which one is **not** true about agricultural development led industrialization? [ADLI]

- A. Improving the productivity and production of smallholders by improving both al locative and technical efficieny
- B. Enhancing the productivity of smallholder agricultural and industrialization based on the utilization of domestic raw material
- C. The agricultural sector development assists industrial development by creating for word and back ward
- D. Encourage the manufacturing industrial to be import dependent

37. Which food crop is dominant in terms of area coverage and output

- A. Roots and tuber
- B. Fruits and vegetable
- C. Oils and pulse
- D. Cereals

38. \_\_\_\_\_ is the most common mode of transportation in Ethiopia

- A. Road transport
- B. Railway
- C. Shipping line
- D .Air transport

39.. Which one of the following is a factor that causes international trade to take place between two or more countries?

- A. Unequal distribution of capital between countries
- B. Decreasing return to scale between countries
- C. The same level of technological development different countries
- D. Equal distribution of resources

40. The basic characteristic of the service sector is that it produces

- A. Anything that can be tangible good
- B. Intangible goods which do not have physical form
- C. Having physical forms
- D. Commodities

41. The use of central bank of inflation money supply and interest rate stabilize the economy is known as;

- A. Fiscal policy
- B. Income policy
- C. Monetary policy
- D. Budget policy

42. All are major cause of unemployment in Ethiopia, **except**

- A. Low level of labour force
- B. Low level of investment
- C. Low level of education
- D. Low level income

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43. World price for Ethiopian coffee depend on
- A. Supply of Ethiopian coffee
  - B. The demand for Ethiopian coffee
  - C. The quality of the domestic supply
  - D. Performance of major coffee supplies to the world market
44. All point above production possible curve indicate
- A. underutilize resource
  - B. Desirable but unattainable
  - C. Efficient point
  - D. Inefficient point
- 45 Many Saudi Arabian investors are producing in Ethiopian; the profit earned by the Saudi Arabian investors is counted?
- A. As part of Ethiopian GDP and Saudi Arabian GDP
  - B. As part of Saudi Arabia GDP and Ethiopia GDP
  - C. As part of Ethiopian GNP and Saudi Arabian GDP
  - D. As part of Ethiopian GDP and Saudi Arabian GNP
46. Which of the following is capital budget?
- A. Social service
  - B. General Service
  - C. Economic development
  - D. Economic service
47. One of the following is **not** the structure adjustment aimed
- A. Increasing the macroeconomic distortion
  - B. Encouraging the development of the private sector
  - C. Decreasing macroeconomic distortion
  - D. Promoting the process of market determination of all price
48. Which one of the following method is used to control inflation by the government?
- A. Cut down in deficit financing
  - C. Increase in government expenditure
  - B. Decrease in public borrowing
  - D. Decrease in tax rate
49. in the long –run
- A. All costs are fixed cost
  - B. Fixed costs are greater than variable costs
  - C. All costs are variable cots
  - D. Variable cost equal fixed cost



- 50 . Which are the following is **not** among the recent development program me of EPRDF?
- A. Plan for accelerated and sustained development to end poverty
  - B. Growth transformation plans
  - C. Development through cooperation campaign
  - D. Sustainable development and poverty reduction program me
51. Establishment of LSMCF and development of package project was introduced by
- A. Current government
  - B. During imperial period
  - C. Under derg government
  - D. Post 19
52. Which one of the following statement is **incorrect**?
- A. Livestock cannot be used as a source of energy
  - B. among African countries, Ethiopian considered having the largest livestock
  - C. Ethiopian is one of the countries in African with good source of energy
  - D. The national development plan formulated during derg aimed at the establishment of a socialist stat through nationalization of private enterprise
53. Which one of the following is not cost of unemployment?
- A, Political instability
  - B. Exploitation of balour
  - C, Economic stability
  - D. Trade and budget surplus.
54. \_\_\_\_\_transfer of money from the bank account of the buyer of the seller in the seller count
- A. Bank transfer
  - B. Letter of credit
  - C. Bill of exchange
  - D. Debtor
55. Which of the following government institution is directly responsible for the conduct of monetary policy?
- A. Ministry of finance and economic development
  - B. Regional of finance bureau
  - C. Ministry of trade and industry
  - D. National bank if Ethiopian
56. What is the name to give to a special type of oligopoly in which **only two** firms are the entire market?
- A. Oligopoly
  - B. Monopoly

- C. perfectly competitive                      D. Duopoly
57. Which one of the following is the characteristic **not** shared by the market structures of perfectly competition and monopolistic competition
- A. Free entry and exist of firm
  - B. Large number of sellers
  - C. Product differentiation
  - D. Large number of buyers
58. Which one of the following is **true** about indifferent curve?
- A. An indifferent curve slope upward from right to left
  - B. An indifferent curve convex to the origin
  - C. Two indifferent curve intersect each other
  - D. An indifferent curve closes to each other and intersects
59. Which one of the following is the main objective as the plan for accelerated and sustained development to end poverty?
- A. Building common residential household for the poor people
  - B. Building modern and production agricultural economic
  - C. Selling government bank to foreigner to create free market
  - D. Nationalization of private companies for sustainable development economic
60. Which one of the following is the **role** of commercial banks in Ethiopian?
- A. Formulates the monetary policy framework for the country
  - B. Help to encourage household to save money
  - C. Regulate money supply and interest rate
  - D. Manages and administers the international reserve of the country
- 61 Which one is **not** categorized services sector?
- A. Bank and insurance                      C. Communication
  - B. Water and energy supply                      D. Restaurants
62. Which one of the following **best** represents foreign exchange rate system based on the supply and demand of foreign exchange?
- A. Floating exchange rate                      B. Managed exchange rate
  - C. Fixing foreign exchange rate                      D. Quota

63. All are economic problem of the society, **except**
- A. Unemployment
  - B. Inflation
  - C. Employment
  - D. Government budget
64. Which one of the following statement **is true** about the relationship between production and cost in the short \_run?
- A. When marginal product is increasing, marginal cost decreasing
  - B. Total variable cost and total product of labour are positive related
  - C. Average variable cost and average product of labour are positive related
  - D. When marginal product is increasing, marginal cost also increasing
65. The highest level of employment, output, income, price and investment during a business cycle is
- A. Peak
  - B. Depression
  - C. Recession
  - D. Contraction
66. The method of economic research that begins with gathering of fact and make generalizations on the basis of regularizes of behavior observed from the collected facts is;
- A. Induction
  - B. Descriptive economics
  - C. Deduction
  - D. Hypothesis testing
67. Which one of the following industrial group contributes the largest share of the following of value added in Ethiopian manufacturing sector?
- A. Leather and foot wear
  - B. Textiles
  - B. Chemicals
  - D. Food and beverages
68. During inflation an appropriate fiscal policy would be
- A. Increase government purchase and decrease taxes
  - B. Increase both government purchase and taxes
  - C. Increase both government purchase and taxes
  - D. decrease government purchase and increase taxes
69. Which of the following is **true** about Ethiopia Exports?
- A. Ethiopia is an export of manufacture good
  - B. Ethiopian is a price market in most all export
  - C. Ethiopian export capital goods
  - D. Ethiopia is a price taker in most all export

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70. When does quantity demanded of a good decrease?

- A. When the price of factor of production decrease
- B. When price of the good increase
- C. When price of the good decrease
- D. When the price of related to the product decrease

**Item 71 to 75 are to be attempted by sighted candidates only**

71. Suppose a perfectly competitive firm has an output  $[Q]=800$  Birr average revenue = 4 Birr total fixed cost= 1400 Birr total variable cost =1800 Birr which of the is true about this firm?

- A. The firm is making negative economic profit
- B. The firm is making zero economic profit
- C. The firm is making a positive economic profit
- D. All are possible answer

72 If the consumer price index [CPI] IN 2008 was 100 and that in 2009 was 125, what was?

The rate of inflation

- A. 20%
- B. 25%
- C. 35%
- D. 45%

73. Suppose there are 100 identical buyers of commodity “A ”in market with an individual demand function of  $Q_d=20-2p$  and, 50 identical producers of the same commodity each supply function  $Q_s= 10+3p$ . What will be the market clearing price and quantity respectively?

- A. [5, 150]
- B.[ 1000, 5]
- C. [1000,5]
- D. [5, 1000]

74. If the consumption function of an individual is  $C=44+0.86y_d$ . If a the individual disposable income for a specific was birr 3600, the saving of the individual during the same period is

- A. 504
- B. 3096
- C. 3140
- D. 44

75.. Depend on the above information, respectively, what is the average propensity to saving and average propensity consume

- A, [0.14, 0. 86]
- [0. 86, 0.14]
- C. [7.142, 1.162]
- D. [1.162, 7.142]

**Items 76 to 80 are to be attempted by visually impaired candidates only**

76. All of the following factors limit the performance of the industrial sector in Ethiopian, except

- A. Shortage of finance
- C. Human resource problem
- B. Lack of technological
- D. The geography of the country

77. Handicrafts and small scale industrial Development Agency is was established to support

- A. Medium—scale industrial development
- B. Small-scale industrial development
- C. Large-scale industrial development
- D. Expansion of commercial farms

78. \_\_\_\_\_ is Ethiopia dominant export crop

- A. Cotton
- B. Coffee
- C. Oil seed
- D. Fruit

79. An increase in the value of the currency in terms of another country under the floating exchange rate system this refers;

- A. Appreciation
- B. Depreciation
- C. Revaluation
- D. Devaluation

80 Which one of the following costs decrease as output increase in the short run

- A. Total cost
- B. Average fixed cost
- C Marginal cost
- D. Average variable cost

