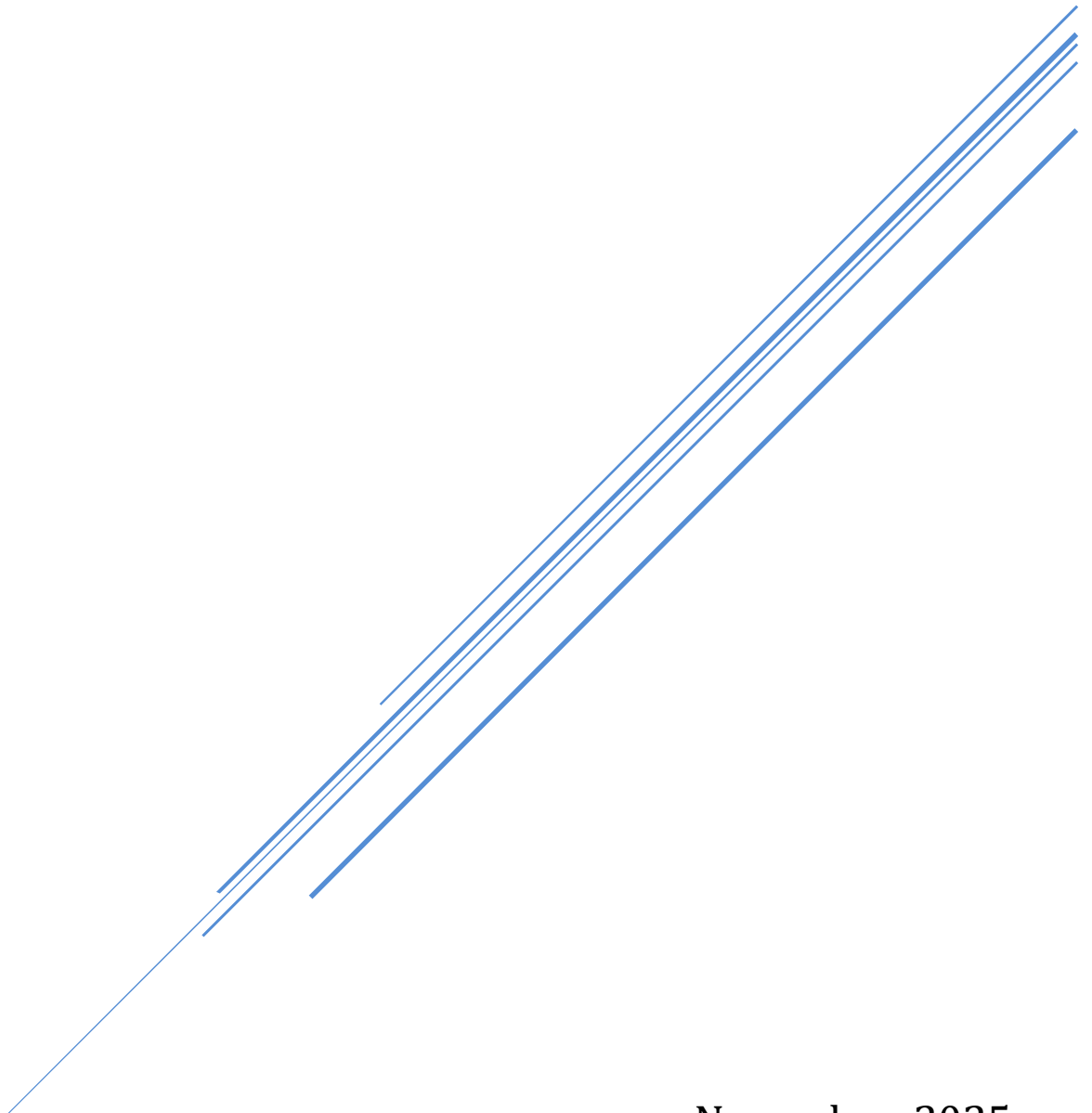# ECONOMICS WORKSHEET ATTENDING CLUSTER-CENTERED

Tutorial for Grade 12

November, 2025
Addis Ababa, Ethiopia

ECONOMICS GRADE: 12th WORKSHEET-2

INSTRUCTIONI: For the following question choose the best answer from the given alternatives

1. Which of the following is true statement?
    A. Net saving can be negative
    B. What a household is not spending is consumed
    C. Saving is a decreasing function of national income
    D. Disposable income is the difference between saving and consumption
2. Which one of the following investment does not affect economic growth directly?
    A. Building of new factories
    B. Investment in infrastructure
    C. Investment in new machinery and equipment
    D. Provision of education, training and public health
3. If the consumption function of an individual is given as $c = 100 + 0.65ydBirr$, where C represents consumption per period and yd represents the individual's disposable income per period. If the individual's disposable income for specific period was 1000Birr, saving of the individual during the same period is ---------Birr.
    A. 750   B. 350   C. 250   D. 650
4. If consumption is greater than income, which of the following is true?
    A. The consumption is mainly induced rather than autonomous
    B. The autonomous part of consumption is greater than induced
    C. Both autonomous and the induced consumption are equal
    D. When consumption is greater than income, income is bound to decline
5. Which one of the following increase saving?
    A. Decrease in disposable
    B. Rise in expected price
    C. Decrease income inequality
    D. Increase in disposable income
6. Which one of the following factors increases domestic consumption?
    A. Decline in population
    B. Widening income gaps
    C. Increase in disposable income
    D. Rise in general levels of income
7. Saving is expressed as the sum of fraction of disposable income and constant term. Which one of the following is true about zero savings?
    A. The constant term is positive and disposable income is negative
    B. The constant term is negative while the fraction of disposable income is equal in magnitude but positive.
    C. The constant term is positive and fractional disposable income is negative
    D. The fraction of disposable income is positive and less than the negative constant term is magnitude.

8. Which one of the following statements correctly describes the consumption and saving linkage of households?
    A. Increase in income of house hold has a negative influence on the consuming and saving behavior of the house hold
    B. If marginal propensity to consume (MPC) rises marginal propensity to save (MPS) must necessarily fall
    C. If the average propensity to consume (APC) of house hold is 0.8, then the average propensity to save (APS) for the same same household can be 0.4
    D. If marginal propensity to consume (MPC) of house hold is 0.8, then the marginal propensity to save (MPS) for the same house hold can be 0.4.

9. If an economy's consumption function includes a large autonomous component but a relatively small marginal propensity to consume (MPC), which of the following interpretations is most accurate?
    A. Most consumption in the economy depends heavily on changes in income rather than on autonomous factors.
    B. Consumption is dominated by income-determined spending, and autonomous consumption plays almost no role.
    C. Even when income is low or zero, households continue to consume significantly due to non-income-based factors; but additional income results in only modest increases in consumption.
    D. Autonomous consumption becomes zero when the MPC is small, because households prioritize saving.

10. A household has an average propensity to consume (APC) of 0.75. Based on this information, which of the following interpretations is correct?
    A. The household spends 75% of any additional birr received as income.
    B. The household spends 75% of total disposable income on consumption over a given period.
    C. The household's marginal propensity to save (MPS) must be 0.75.
    D. The household spends nothing out of autonomous income.

11. A government increases direct taxes on households in order to reduce inflation. Which of the following is the most likely effect on household behavior?
    A. . Disposable income rises, causing consumption to increase and saving to decline.
    B. Disposable income falls, causing both consumption and saving to decrease due to lower take-home earnings.
    C. Disposable income remains unchanged, but consumption rises because people expect higher future prices.
    D. Saving increases because households respond to higher taxes by consuming less.

12. Suppose autonomous consumption increases due to a rise in consumer confidence. Which of the following best describes what happens to the consumption function?
    A. The function shifts upward, but MPC and the slope of the function remain unchanged.
    B. The consumption function shifts downward, and both MPC and APC decrease.

C. The slope of the consumption function increases because autonomous consumption determines MPC

D. The consumption function becomes horizontal because consumers now spend independently of income.

13. Suppose a firm decides to increase investment because national income has risen over several consecutive years. Under which category does this type of investment fall?

    A. Autonomous investment, because it depends on business expectations only

    B. Public investment, because rising income increases government revenue

    C. Depreciation investment, because the firm is replacing worn-out capital

    D. Induced investment, because the decision is based on changes in income levels

14. Suppose country Ethiopia invests heavily in new machinery, factories, and technological equipment. Which of the following outcomes is most closely associated with this type of investment?

    A. A reduction in disposable income because investment reduces household consumption

    B. A decline in productivity due to excessive labor substitution

    C. Increased capital formation that enhances productive capacity and promotes long-term economic growth

    D. . An automatic decrease in depreciation due to higher investment

15. Consider a household exhibits a high APS (average propensity to save). What does this imply about its consumption behavior?

    A. The household spends a large proportion of its income on consumption.

    B. The household saves a smaller proportion of income as income increases

    C. The household saves a large proportion of total income and consumes relatively less.

    D. The household's consumption changes at a faster rate than income.

16. A nation with low levels of saving, high income inequality, and rising consumption expectations is likely to face which of the following challenges?

    A. Weak investment capacity, which slows long-term economic growth

    B. Increased availability of domestic funds for investment

    C. Strong long-run capital formation due to high consumption

    D. Rapid increases in productivity due to greater household spending

17. If the saving function has a positive intercept and a positive slope, which interpretation of saving behavior is most accurate?

    A. Households save even when income is zero, and they save more as income increases.

    B. Households save only when income reaches a certain threshold.

    C. Saving declines as income rises because autonomous saving is positive.

    D. Saving is independent of income and remains constant at all income levels.

18. An increase in direct taxes results in a reduction in disposable income. How does this affect the consumption and saving functions?

    A. Both consumption and saving curves shift upward simultaneously.

    B. Consumption decreases, saving increases, and MPC rises.

C. Both consumption and saving curves shift downward because households have less income to allocate.

D. . Consumption remains unchanged because autonomous consumption offsets tax effects.

19. Technological advancement is often considered a major source of economic growth. Which statement best explains why?

A. Technology replaces investment, making capital formation less important

B. Technological growth increases consumption, which instantly raises GDP.

C. Technology reduces the need for human capital, making skills irrelevant.

D. Increased technology strengthens labor productivity, enhances production efficiency, and expands the economy's long-term output capacity

20. Induced consumption is best described as:

A. The portion of consumption that changes in direct response to changes in disposable income

B. Consumption determined solely by cultural traditions

C. Spending that occurs even when income is zero

D. Consumption that depends on government subsidies only

21. An increase in foreign direct investment (FDI) contributes to growth mainly by:

A. Increasing household consumption

B. Raising taxes on domestic firms

C. Improving capital formation and transferring technology

D. Increasing income inequality distribution

22. Investment tends to decrease when interest rates rise because:

A. Saving becomes impossible

B. Borrowing becomes more expensive

C. Consumption becomes zero

D. Depreciation increases immediately

23. Which one of the following statements is false with regards to the role of investment in economic growth?

A. Investment enhances the accumulated capital

B. With increase in investment, the capital –labor ratio in the production process is expected to decline

C. Investment enhances the productive capacity of a country

D. Investment today raises the stream of output in the future

24. Aggregate demand is described as a "flow concept" because it:

A. Measures the total wealth at a given time

B. Represents total planned spending during a specific period

C. Measures the number of goods in existence

D. Measures accumulated past expenditure

25. Which of the following does not contribute to this negative relationship between price level and quantity demanded?

A. Real balance effect   C. International trade effect

B. Interest rate effect   D. Wage rigidity effect

26. If Ethiopia's domestic price level rises relative to prices abroad, which of the following outcomes is expected in the international trade market?
      A. Exports increase while imports decrease   C. Exports decrease while imports increase
      B. Both exports and imports rise simultaneously D. Both exports and imports decline
27. Which of the following scenarios would shift the aggregate demand curve to the right, indicating higher planned spending at every price level?
      A. Increase in household wealth due to higher asset values
      B. Rise in domestic interest rates
      C. Fall in foreign incomes leading to weaker demand for exports
      D. Increase in income taxes levied on households
28. Which of the following factors does not directly influence household consumption?
      A. Household wealth   C. Future income expectations
      B. Interest rates   D. Government purchases
29. When foreign incomes rise significantly, what is the expected impact on Ethiopian exports and aggregate demand?
      A. Exports increase, leading to higher aggregate demand
      B. Exports fall due to reduced competitiveness
      C. Domestic investment declines
      D. Only imports adjust
30. If households anticipate lower future income, the expected effect on aggregate demand is:
      A. Increase in consumption today
      B. Rightward shift of aggregate demand
      C. Reduction in consumption and aggregate demand to shift left
      D. Increase in household borrowing
31. An appreciation of the Birr in foreign exchange markets will likely:
      A. Increase exports by making them cheaper for foreigners
      B. Reduce exports and decrease aggregate demand
      C. Have no effect on aggregate demand
      D. Increase aggregate demand by making imports cheaper
32. A sudden fall in business confidence will have which effect on the economy?
      A. Aggregate demand shifts left due to lower investment
      B. Aggregate demand shifts right as firms increase production
      C. Aggregate supply shifts right as firms increase production
      D. Aggregate supply shifts right, aggregate demand shifts right
33. When domestic incomes decline, net exports are likely to:
      A. Decrease due to weaker domestic production
      B. Increase due to falling imports
      C. Lead to increased domestic investment
      D. Remain unchanged
34. The short-run aggregate supply curve is upward sloping primarily because:
      A. Wages adjust instantly to price changes
      B. All prices and wages are perfectly flexible
      C. Productivity falls as output rises
      D. Wages are sticky and firms may misperceive price changes

35. Which scenario is most likely to short-run aggregate supply curve left, reducing the quantity of goods supplied at each price level?
    A. A fall in nominal wage rates
    B. A decline in domestic interest rates
    C. A rise in the cost of raw materials and intermediate goods
    D. An increase in labor productivity

36. Which factor is most likely to shift short-run aggregate supply curve to the right, increasing the quantity of goods supplied at each price level?
    A. Improvements in productivity and production processes
    B. Increase in input costs such as energy or raw materials
    C. Decline in technological efficiency
    D. Higher business taxes

37. The long-run level of output, where the economy produces at full capacity, is referred to as:
    A. Actual GDP   C. Nominal GDP
    B. Potential GDP or natural output   D. Sectoral output

38. If prices of imported inputs, such as raw materials or intermediate goods rise significantly, short-run aggregate supply curve is expected to:
    A. Shift left due to higher production costs
    B. Cause only a movement along the aggregate demand curve
    C. Affect aggregate demand rather than supply
    D. Aggregate supply curve shift to the right

39. A fall in equilibrium wage rate, assuming prices remain constant, will likely:
    A. Shift short-run aggregate supply to the right due to lower production costs
    B. Shift short-run aggregate supply to the left
    C. Increase aggregate demand
    D. Reduce aggregate demand

40. Which factor does not shift the short-run aggregate supply curve?
    A. Technological improvements   C. Changes in business taxes
    B. Changes in nominal wage rates   D. Changes in the overall price level

41. When short-run aggregate supply curve shifts left and aggregate demand remains constant, the expected outcome is:
    A. Lower price levels and higher output   C. Both price and output rise
    B. Higher price levels and lower output   D. Both price and output fall

42. A negative supply shock, such as a sudden fall in productivity, will:
    A. Shift short-run aggregate supply right, increasing output
    B. Reduce aggregate demand
    C. Shift short-run aggregate supply left, reducing output
    D. Increase long-run aggregate supply

43. Long-run equilibrium in an economy is a situation where the overall economic output and price levels are stable. Which of the following conditions correctly describes long-run equilibrium?
    A. Aggregate demand equals short-run aggregate supply only
    B. Government spending equals total tax revenue
    C. Aggregate demand equals short-run aggregate supply equals long-run aggregate supply
    D. Total imports equal total exports