

**ADDIS ABABA CITY ADMINISTRATION EDUCATION BUREAU, ADDIS  
ABEBA**

**GRADE 12 ECONOMICS MODEL EXAMINATION**

**GINBOT 2012/MAY 2020**

**NUMBER OF QUESTIONS: 75**

**TIME ALLOWED:- 2½ HOURS**

**GENERAL DIRECTIONS**

THIS BOOKLET CONTAINS **ECONOMICS** EXAMINATION. IN THIS EXAMINATION, THERE ARE A TOTAL OF 75 **MULTIPLE CHOICE QUESTIONS**. CAREFULLY SELECT THE BEST ANSWER AND **BLACKEN** ONLY THE LETTER OF YOUR CHOICE ON THE SEPARATE ANSWER SHEET PROVIDED. FOLLOW THE INSTRUCTIONS ON THE ANSWER SHEET AND THE EXAMINATION PAPER CAREFULLY. USE ONLY **PENCIL** TO MARK YOUR ANSWERS. YOUR ANSWER MARK SHOULD BE **HEAVY AND DARK**, COVERING THE ANSWER SPACE COMPLETELY. PLEASE ERASE ALL UNNECESSARY MARKS COMPLETELY FROM YOUR ANSWER SHEET.

YOU ARE ALLOWED TO WORK ON THE EXAM FOR **2½ HOURS**. WHEN TIME IS CALLED, YOU MUST IMMEDIATELY STOP WORKING, PUT YOUR PENCIL DOWN, AND WAIT FOR FURTHER INSTRUCTIONS.

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

PLEASE MAKE SURE THAT YOU HAVE WRITTEN ALL THE REQUIRED INFORMATION ON THE ANSWER SHEET BEFORE YOU START TO WORK ON THE EXAMINATION.

**DO NOT TURN THIS PAGE UNTIL YOU ARE TOLD TO DO SO.**

**DIRECTION: Each of the following questions is followed by four possible alternatives. Read each question carefully and BLACKEN the letter of your choice on the answer sheet provided.**

1. Which of the following universal truths laid the foundation for the field of economics?
  - A. Resources are unlimited and human wants are limited.
  - B. Resources are limited and human wants are unlimited.
  - C. Resources and human wants are both unlimited.
  - D. Resources and human wants are both limited.
2. The process of economic reasoning that starts with explaining theories and then assesses their application for specific facts is
  - A. inductive
  - B. normative
  - C. deductive
  - D. descriptive
3. A buyer is said to have a demand for a good only when
  - A. the buyer wants to own the good.
  - B. the buyer is both willing and able to purchase the good.
  - C. the price of the good is low.
  - D. there is enough supply of the good available for purchase.
4. Which of the following is the assumption of ordinal utility theory?
  - A. Irrationality of the consumer
  - B. Non-satiation of the consumer
  - C. Inconsistency of preference
  - D. Measurability of utility
5. Which of the following is the dominant sub-sector in the Ethiopian agricultural sector?
  - A. Animal husbandry
  - B. Crop production
  - C. Forestry
  - D. Fishery
6. Which of the following can be the effect of domestic borrowing as a means of government budget deficit financing?
  - A. Demand pull inflation
  - B. Cost push inflation
  - C. Rise in cost of credit
  - D. Deficit in balance of payments
7. In which of the following indicators does the private sector has the highest share in the Ethiopian large and medium scale enterprises?
  - A. Number of establishments
  - B. Gross value of output
  - C. Value added at factor cost
  - D. Number of persons engaged
8. In the expenditure approach, GDP equals
  - A.  $C + I_g + G + (M + X)$
  - B.  $C + I_g + G + (M - X)$
  - C.  $C + I_g + G - (M + X)$
  - D.  $C + I_g + G + (X - M)$

9. Which one of the following was **NOT** the objective of comprehensive package program?
- A. Dissemination of research results to farmers
  - B. Provision of marketing and credit facilities as well as the promotion of cooperative societies.
  - C. Provision of modern farm inputs.
  - D. Replacement of small-tenant farms with large scale commercial farms.
10. Which one of the following is problem of the industrial sector of the Ethiopian economy?
- A. The use of labor intensive production
  - B. High import intensity
  - C. Weak competition from cheap imports
  - D. Strong domestic demand for local products
11. The largest proportion of tourist inflows from African countries to Ethiopia is for the purpose of \_\_\_\_\_.
- A. business
  - B. conference
  - C. vacation
  - D. transit
12. Which of the following statements indicates improvement in road conditions?
- A. Decrease in the proportion of roads in good conditions
  - B. Decrease in the stock of paved and unpaved road network
  - C. Increase in the proportion of area further than 5 km away from all-weather roads
  - D. Decrease in the average time taken to reach all weather roads
13. Which of the following industrial groups dominates the Ethiopian manufacturing sub-sector?
- A. Non-metals
  - B. Textiles
  - C. Food and beverage
  - D. Leather and footwear
14. The livestock sub sector in Ethiopia is faced with all of the following problems **EXCEPT**:
- A. High incidence of diseases and parasites
  - B. Inadequate marketing and other support policies
  - C. Shortage of indigenous cattle breeds
  - D. Shortage of trained personnel
15. The equilibrium quantity of a good will increase and its equilibrium price might rise, fall, or stay the same when
- A. its demand decreases and supply increases.
  - B. its demand increases and supply decreases.
  - C. its demand and supply both increase.
  - D. its demand and supply both decrease.

16. Which of the following is correct about of bi-modal agricultural strategy?
- A. It protects the peasants from eviction.
  - B. It creates differentiation in the rural society.
  - C. It focuses on the production of food crops.
  - D. It favours the government to gain political support.
17. The Ethiopian manufacturing sector suffers from all of the following **EXCEPT**:
- A. lack of sufficient information
  - B. absence of adequate institutional support
  - C. strong competition with imported goods
  - D. reliance on labour intensive technology
18. Which of the following events contributed to the introduction of modern manufacturing industries in Ethiopia?
- A. The emergence of powerful regional lords
  - B. The establishment and expansion of cities
  - C. The establishment of the Ministry of Industry
  - D. Ethiopia's relation with the industrialized nations
19. One of the following is the major problem of the Ethiopian industrial sector?
- A. Lack of finance
  - B. Bad work ethics
  - C. Lack of skilled manpower
  - D. Lack of policy support
20. Which of the following Millennium Development Goals is directly linked with the health sector?
- A. Eradicating extreme poverty and hunger
  - B. Achieving universal primary education
  - C. Reducing child mortality
  - D. Promoting gender equality and empowering women
21. Which of the following is the **shortcoming** of the uni-modal agricultural strategy?
- A. Reduction of outgoing migration from rural areas
  - B. Creation of differentiation in the rural society
  - C. Lack of off-farm employment opportunities
  - D. Continuous rise in price of agricultural inputs
22. When marginal utility is decreasing but positive, total utility is
- A. increasing at a decreasing rate.
  - B. decreasing at a decreasing rate.
  - C. increasing at an increasing rate.
  - D. decreasing at an increasing rate.

23. Which of the following is exclusively human-made problem that hinder agricultural development in Ethiopia?
- A. Rugged topography                      C. Recurrent drought  
B. Soil acidity and salinity                D. Land fragmentation
24. What does the concept of import intensity refers to?
- A. The ratio of price of imports to the price of exports  
B. The ratio of price of exports to the price of imports  
C. The ratio of value of imported raw materials to the total value of raw materials  
D. The total value of imported raw materials in a nation during a year
25. The contribution of the industrial sector to Ethiopia's GDP is
- A. less than 10%      B. equal to 10%      C. more than 10%      D. equal to 20%
26. Which of the following is a five year plan of the Ethiopian government?
- A. Climate Resilient Green Economy (CRGE)  
B. Education Sector Development Program (ESDP)  
C. Growth And Transformation Plan II (GTP II)  
D. Agricultural Development Led Industrialization (ADLI)
27. Which of the following are the components of the industrial sector in Ethiopia?
- A. Electricity, water supply, construction, mining, quarrying and manufacturing  
B. Electricity, water supply, construction, banking, transport and mining  
C. Manufacturing, water supply, construction, communication and mining  
D. Electricity, water supply, construction, forestry, fishery and manufacturing
28. A decrease in the price of a particular good, with all other variables constant, causes
- A. a shift to a different demand curve with higher quantities demanded.  
B. a shift to a different demand curve with lower quantities demanded.  
C. a movement along a given demand curve to a lower quantity demanded.  
D. a movement along a given demand curve to a higher quantity demanded.
29. Which type of unemployment is caused by permanent shift in pattern of demand for goods and services?
- A. Cyclical              B. Structural              C. Frictional              D. Disguised
30. What is the cause for the occurrence of natural monopoly?
- A. Patent right                                  C. Small size of market  
B. Government policy                        D. Ownership of strategic inputs

31. Which of the following is assumed constant along the demand curve for bread?
- A. The price of bread and the prices of related goods
  - B. All variables affecting demand other than the price of bread
  - C. All variables affecting demand other than the supply of bread
  - D. Buyers' incomes and tastes, but not the prices of related goods
32. A consumer with a fixed income will maximize utility when each good is purchased in amounts such that the
- A. total utility is the same for each good.
  - B. marginal utility the same for each good.
  - C. marginal utility per birr spent is the same for all goods.
  - D. total utility per birr spent is the same for all goods.
33. When a firm triples its inputs and finds that its output has doubled, this is known as
- A. increasing returns to scale
  - B. diminishing returns to scale
  - C. constant returns to scale
  - D. diminishing marginal returns
34. Which of the following is the feature of pure monopoly?
- A. Barriers to entry
  - B. Many sellers
  - C. More elastic demand
  - D. Uniform price
35. The market structure in which entry into the industry is the most prohibitive (hardest) is
- A. perfect competition
  - B. monopolistic competition
  - C. pure monopoly
  - D. oligopoly
36. In the Ethiopian context, narrow money refers to
- A. difference between currency in circulation and demand deposit
  - B. difference between broad money supply and quasi money
  - C. sum of saving deposit, demand deposit and time deposit
  - D. ratio of broad money supply and quasi money
37. The use of government spending and taxation for the purpose of stabilizing the economy is called
- A. income policy
  - B. fiscal policy
  - C. monetary policy
  - D. trade policy
38. If balance of trade indicates a surplus birr 20,000 and the value of imports is one-third of the value of exports, then what will be the value of imports in birr?
- A. 10,000
  - B. 20,000
  - C. 30,000
  - D. 40,000

39. The monopolist's demand curve is \_\_\_\_\_ whereas the perfectly competitive firm's demand curve is \_\_\_\_\_.
- always downward sloping, always horizontal
  - always horizontal, always downward sloping
  - the market demand curve, the industry demand curve
  - inelastic along its entire range, unit elastic along its entire range
40. Dissaving occurs where
- consumption exceeds income
  - saving exceeds income
  - saving exceeds consumption
  - income exceeds consumption
41. At the point where the consumption curve intersects the 45 degree line
- the MPC equals 1
  - consumption is zero
  - consumption equals income
  - the APC is zero
42. If aggregate demand is perfectly price elastic, an increase in aggregate supply will
- increase price but not output
  - increase output but not price
  - decrease both price and output
  - increase both price and output
43. If the U.S. dollar appreciates relative to the Japanese yen, then
- more yen will be required to purchase one dollar.
  - fewer yen will be required to purchase one dollar.
  - the dollar has weakened relative to the yen.
  - Japan's demand for U.S. goods will increase.
44. Which one is the main modern energy source of Ethiopia?
- Fuel wood
  - Hydropower
  - Solar energy
  - Petroleum
45. Which of the following components of the Ethiopian Education Sector Development Program (ESDP) focuses on activities of upgrading the Ministry's and Regional Education Bureaus' skills in planning, financial management, implementation, monitoring and evaluation of policies and strategies?
- Teachers training
  - Tertiary education
  - Institutional capacity building
  - Technical-Vocational training
46. Which of the following does **NOT** belong to the Millennium Development Goals?
- Eradicating extreme poverty and hunger
  - Avoiding natural disaster
  - Improving maternal health
  - Ensuring environmental sustainability

47. The main tourist generating regions for Ethiopia are\_\_\_\_\_.
- A. Africa, Europe and America                      C. Middle East, Asia and Oceania  
B. America, Asia and Europe                      D. Europe, America and Oceania
48. Which of the following affects the performance of the Ethiopian agricultural sector **negatively**?
- A. Reducing heavy dependence on rain-fed agriculture  
B. Credit offerings at lower interest rates for farmers  
C. Reducing prices of agricultural inputs  
D. Expanding farmland through deforestation
49. If the short run average variable costs of production are rising, then this indicates that
- A. Average total costs are at a maximum  
B. Average fixed costs are constant  
C. Marginal costs are above average variable costs  
D. Average variable costs are below average fixed costs
50. Which one of the following is correct about the second stage of production?
- A. Both average product and marginal product decline as the variable input increases.  
B. Marginal product decreases and average product increases as the variable input increases.  
C. Average product decreases and marginal product increases as the variable input increases.  
D. Both average product and marginal product increase as the variable input increases.
51. To adjust GDP from market prices to factor cost
- A. deduct corporate tax and add transfer income  
B. add income tax and deduct net factor income from abroad  
C. add indirect taxes and deduct subsidies  
D. deduct indirect taxes and add subsidies
52. The main objective of first cycle primary education in Ethiopia is\_\_\_\_\_.
- A. achieving functional literacy  
B. satisfying the country's need for skilled manpower  
C. preparing students for higher education  
D. preparing students for vocational training
53. Which one is correct at the shut-down point of a perfectly competitive firm?
- A.  $TR = TVC$                       B.  $TR = TC$                       C.  $TR = TFC$                       D.  $TFC = TVC$



54. Which of the following was **NOT** the objective of the national development plan during the Imperial period?
- A. Raising manufacturing and agro-industrial performance
  - B. Introduction of modern processing methods
  - C. Promotion of Ethiopia's dependence on imports
  - D. Development of a strong infrastructure
55. The priority area in the first five year development plan of the Imperial period was
- A. diversification of production.
  - C. expansion of educational opportunities
  - B. development of infrastructure.
  - D. raising agro-industrial performance.
56. The ordinary revenue of the Ethiopian government consists of
- A. non-tax and recurrent revenues.
  - C. tax and non-tax revenues.
  - B. capital revenue and external assistance.
  - D. tax and capital revenues.
57. Which of the following is the role and responsibility of the Commercial Bank of Ethiopia?
- A. Issuing currency notes
  - C. Issuing letters of credit
  - B. Controlling money supply
  - D. Regulating interest rates
58. In Ethiopia the most dominant food crops in terms of areal coverage and total output are\_\_\_\_\_.
- A. pulses
  - B. tubers
  - C. oilseeds
  - D. cereals
59. Which of the following factors does **NOT** affect population size and growth in a given country?
- A. Fertility
  - C. Internal migration
  - B. Mortality
  - D. International migration
60. Which of the following was a comprehensive package project during the *Derg*?
- A. Chilalo Agricultural Development Unit (CADU)
  - B. Peasant Agricultural Development Extension Project (PADEP)
  - C. Adaa District Development Package Project (ADDP)
  - D. Wolayita Agricultural Development Unit (WADU)
61. Which of the following bodies of water has the largest potential for fishery in Ethiopia?
- A. Major lakes
  - C. Major reservoirs
  - B. Major rivers
  - D. Major dams
62. The 1993 expenditure reducing policy of Ethiopia included
- A. Financial market reform
  - C. Tight monetary policy
  - B. Exchange rate revaluation
  - D. Deregulation of price

63. According to the Agricultural Development-Led Industrialization (ADLI), Ethiopia's development strategy is expected to revolve around industrialization based on utilization of \_\_\_\_\_ raw material and \_\_\_\_\_ intensive technology.
- A. imported, labour
  - B. domestic, labour
  - C. imported, capital
  - D. domestic, capital
64. Which of the following is the basic feature of the Ethiopian population?
- A. High old-age dependency ratio
  - B. Low infant mortality rate
  - C. High life expectancy at birth
  - D. High young dependency ratio
65. Which of the following was the outcome of domestic trade liberalization measures in Ethiopia?
- A. The producer-consumer price margin has broadened.
  - B. The traditional private marketing system has disappeared.
  - C. Private traders are forbidden to move food grains from market to market.
  - D. Markets have started to experience price fluctuations related to supply and demand.
66. Which of the following is correct about the investment policy of Ethiopia during the post-1991 period?
- A. The private sector can invest in any area.
  - B. The public sector can invest in any area.
  - C. Domestic investors are allowed to invest at any initial capital.
  - D. Foreign investors are required to have a certain minimum investment capital.
67. Which one of the following **CANNOT** be a constraint to realize the benefits that Ethiopia deserves from the tourism sector?
- A. Shortage of tourist facilities
  - B. Limited promotion about the tourist attraction sites
  - C. Lack of professional and skilled personnel
  - D. Lack of historical, natural and cultural tourist attraction sites
68. Which of the following is correct about the licensing policy during the Derg?
- A. Trading activity was allowed only to partnership.
  - B. Wholesaling was limited to the capital ceiling of Birr 1 million.
  - C. License provision was tied to supply conditions.
  - D. One business license with branch establishments was possible.

69. Which of the following was **NOT** a structural adjustment policy measure undertaken in Ethiopia?
- A. Foreign trade liberalization                      C. Domestic price liberalization  
B. Transport sector regulation                      D. Private sector reform
70. Which of the following are harmed by inflation?
- A. Debtors and creditors  
B. Debtors and people on fixed income  
C. Creditors and people on fixed income  
D. Sales people and creditors

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

**Answer the following questions based on the information given below.**

Assume the basket of goods to a typical consumer in a country is composed of two goods - *teff* and meat. His/her annual consumption is 200 kg of *teff* and 20 kg of meat.

Year	Price of <i>teff</i> per kg	Price of meat per kg
2008	10 Birr	50 Birr
2009	12 Birr	60 Birr
2010	15 Birr	60 Birr

71. The consumer price index (CPI) in the year 2010 was
- A. 100                      B. 120                      C. 140                      D. 160
72. What happened to inflation in the year 2010 compared to the year 2009?
- A. It increased.                      C. It remained the same.  
B. It decreased.                      D. It cannot be determined.
73. In Country 'X' the total number of dependent population is about 40 million and the age dependency ratio is 50%. How much is the total number of population?
- A. 60 million      B. 80 million      C. 100 million      D. 120 million
74. Let a seller receives total revenue of birr 300 when the unit price for his product is Birr 5, and total revenue of birr 324 when price rises to birr 6. What is the price elasticity of demand?
- A. 0.3                      B. 0.4                      C. 0.5                      D. 0.6
75. An economy has a consumption function of  $C = 50 + 0.75Y_d$ . Then, the economy's saving function will be
- A.  $S = 50 + 0.25Y_d$                       C.  $S = -50 + 0.75Y_d$   
B.  $S = -50 + 0.25Y_d$                       D.  $S = -50 - 0.25Y_d$

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

76. The saving function indicates that if income increases, saving will
- A. continuously decrease.
  - B. increase at the same rate as income.
  - C. increase at slower rate than income.
  - D. increase at faster rate than income.
77. Which one of the following is an instrument of expansionary monetary policy?
- A. Increase cash reserve ratio
  - B. Increase bank rate
  - C. Open market purchase
  - D. Increase tax rate
78. If the residents of a country receive remittances from migrants abroad, it is counted as a
- A. credit in the current account
  - B. credit in the capital account
  - C. debit in the current account
  - D. debit in the capital account
79. Aggregate demand will increase if
- A. Consumption falls
  - B. Exports fall
  - C. Investment falls
  - D. Imports fall
80. Which of the following items is entered on the credit side of balance of payment account?
- A. Investment from abroad
  - B. Gifts paid to foreigners
  - C. Import of goods
  - D. Repayment of foreign loan