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ΦΗΓΟ ACADEMY

O f f i c i a l T e l e g r a m C h a n n e l

21. An oligopolistic industry can be characterized by all of the following *except*

- A. many sellers.
- B. mutual interdependence.
- C. economies of scale.
- D. a homogeneous product
- E. A & B

22. One of the primary issues covered within macroeconomics is

- A. The behavior of households
- B. The pricing decisions of a firm
- C. The purchasing decisions of a consumer
- D. Inflation
- E. Price discrimination

23. The Consumer Price Index (CPI) differs from the GDP deflator in one of the following ways?

- A. The GDP deflator measures the prices of a much narrower group of goods than the CPI does.
- B. The CPI includes the prices of imported goods whereas the GDP deflator does not.
- C. The CPI excludes the prices of exported goods.
- D. The GDP deflator includes the prices of exported goods whereas the CPI does not.
- E. B and D

24. A firm in a perfectly competitive industry is producing 50 units at its profit maximizing quantity. Industry price is Birr 2 and the average total cost of the firm at profit-maximizing level is Birr 1.50. What is the firm's economic profit?

- A. 25
- B. 50
- C. 100
- D. 0
- E. None of the above

Answer question 25& through 26 based on the following information on national income accounts of hypothetical economy:

| | GDP | \$12,000 |
|--------------------------------|--------|----------|
| Gross Investment | | 1,000 |
| Net Investment | | 600 |
| Net Export | 3,000 | |
| Government expenditure | | 1,000 |
| Government budget balance | | 2,000 |
| Net factor payment from abroad | -2,000 | |
| Indirect Business Tax | | 2,000 |

25. The gross private consumption expenditure of the economy is

- A. 4000
- B. 6000
- C. 7000
- D. 3000
- E. None of the above

26. The GNP and NI respectively equals to

- A. 10,000 & 600
- B. 10,000 & 7,600
- C. 10,000 & 9600
- D. 5400 & 5800
- E. None of the above

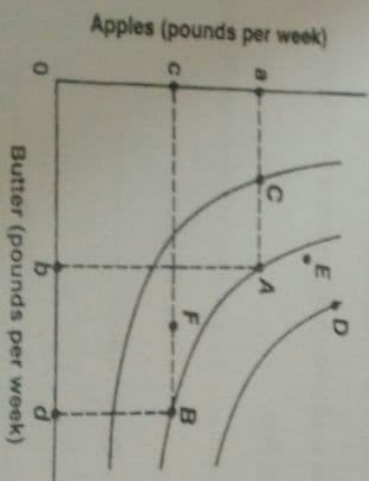
- This graph also shows the consumer's marginal rate of substitution in the AB range to be
- $0a$ of apples for $0d$ of butter.
 - $0a$ of apples for $0b$ of butter.
 - $0e$ of apples for $0d$ of butter.
 - ac of apples for bd of butter
- Suppose the consumer's utility function is given as $U(X, Y) = X^3Y^5$, what is the Marginal Rate of Substitution of X for Y (MRS_{XY})?
 - $5X/3Y$
 - $3Y/5X$
 - $3X^2Y^5/5Y$
 - $3X^2/5Y^4$
 - None of the above
 - If A , B , C , and D are any four market baskets, and if the consumer has ranked them so that D is preferred to C , A is *not* preferred to B , and B is *not* preferred to C , then
 - A is preferred to C .
 - A is preferred to D .
 - B is preferred to D .
 - D is preferred to A .
 - D is not preferred to B .
 - Which one of the following is not correct about a well-behaved indifference curves (ICs)?
 - ICs cannot cross each other
 - ICs are downward sloping to the right
 - A higher IC is always preferred to a lower one
 - ICs are concave to the origin
 - None of the above
 - If average total cost is 100 for a given output and marginal cost is 70, we then know that average fixed cost is

| | |
|---------|--|
| A. 30. | C. 70 |
| B. 170. | D. not possible to determine with the information given. |
 - A curve that can never be "U" shaped is the:
 - Average variable cost curve.
 - Marginal cost curve.
 - Average fixed cost curve.
 - Average total cost curve.
 - A firm operating in a perfect market maximizes its profit by adjusting
 - its output price until it exceeds average total cost as much as possible.
 - its output price until it exceeds marginal cost as much as possible.
 - its output until its marginal cost equals output price.
 - its output until its average total cost is minimized.
 - Changing the level of government spending is an example of:
 - fiscal policy.
 - interest rate policy.
 - monetary policy.
 - exchange rate policy.

MULTIPLE CHOICE QUESTIONS. Please CHOOSE THE BEST ANSWER FROM THE SUGGESTED OPTIONS AND WRITE THE LETTER OF YOUR CHOICE ONLY ON THE ANSWER SHEET.

1. All points on or below a budget constraint
 - A. are attainable with the given income.
 - B. are equally desirable.
 - C. represent market basket combinations that exhaust the income available.
 - D. are described, in part, by a, b, and c above.
2. Which one of the following is/are the limitation/s of the cardinal utility theory?
 - A. The assumption of constant marginal utility of money
 - B. Measuring utility using arbitrary numbers
 - C. The principle of diminishing marginal utility
 - D. All of the above
 - E. A and B
3. Which one of the following is correct about the concept of utility?
 - A. Utility is subjective
 - B. Utility is the same as usefulness
 - C. Utility cannot be ranked
 - D. Utility from the same good never varies across place and time
 - E. All of the above

When answering questions 4&5, consider the following graph of a person's consumption indifference curves.



4. This graph indicates that the consumer
 - A. at A is indifferent between 0a of apples and 0b of butter.
 - B. at A is consuming either 0a of apples or 0b of butter.
 - C. is indifferent between 0a of apples plus 0b of butter on the one hand and 0c of apples plus 0d of butter on the other.
 - D. is correctly described by all of the above.