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Economics, 2016 EC, social science, entrance exam

Grade 12 · Economics · 2016 E.C.

Time allowed: 120 minutes **Questions:** 30 **Total marks:** 30

Name ____________ Grade ________ ID No. ________ Date ________

1. Which one of the following represents the increase in the quantity supplied of the real GDP due to the increase in the price level? (1)

A. The right wards shifts of the aggregate supply curve
B. The left ward shifts of the aggregate supply curve
C. The down wards movement along the aggregate supply curve.
D. The upwards movement along the aggregate supply curve

2. When the economy is in the long run which of the following is correct? (1)

A. Sticky wages and workers misperception still holds true
B. What the economy produces is the full employment real GDP
C. The short run and the long run GDP will the same
D. The level of the real GDP the economy produces is less than the natural real GDR

3. What is the pressure on price when the quantity demand of the real GDP is greater than the quantity supplied of real GDP during the short run? (1)

A. The price levels rises
B. The price levels drops
C. No pressure at all
D. Initially downwards

4. Which one of the following is correct about the economy when it is in long run equilibrium? (1)

A. The economy produces the real GDP which is called the natural real GDP
B. The short run aggregate demand curve intersect the short run aggregate supply curve
C. The long run aggregate demand curve intersect the short run aggregate supply curve
D. Price temporarily deviates from equilibrium even if aggregate demand and aggregate supply remain unchanged.

5. Which one of the following is represent economic situation where there is an inefficient distribution of goods and services in the free markets? (1)

A. Externalities
B. Asymmetric information
C. Market failure
D. Free riding

6. What impacts on our aggregate demand do you expect if the level of economic activities in other countries increase? (1)

A. Aggregate demand will increase
B. Aggregate demand will decrease
C. Aggregate demand remain unaffected
D. Aggregate demand first declines and then rises

7. Among the following which one differentiates changes in quantity demanded from change in aggregate demand? (1)

A. As price level falls, the quantity demanded real GDP rises, ceteris paribus
B. It represented as the movement from one points to another along the different demand curve
C. A positive change in any factors causes a right ward shift in the AD curve
D. It is a shift in Aggregate demand curve from ADI to AD2 on different curve

8. Which one of the following is correct about Aggregate demand curve? (1)

A. It represent the inverse relationship between the real GDP demand and consumption expenditure, all else being equal.
B. It's a schedule that represents the amount of real output that sellers collectively desire to sell at each price, ceteris paribus
C. It shows the inverse relationship between the amount of real output buyers desire to buy at each price, all else being equal.
D. It shows the inverse relationship between the amount of real output sellers desire to sell at each price, all else being equal.

9. What is the implication of the Keynesian Horizontal aggregate supplycurve? (1)

A. Firms can supply whatever amount demand at the existing price because of unemployment.
B. Firms can obtain much labor as they want as long as they pay more
C. As output level changes, the average cost of production increases
D. The labor market in equilibrium with full employment of the labor force

10. Which one of the following is the main factor that affect the amount of output firms are willing to supply? (1)

A. The price related to goods produced by other firms
B. The price they receive for their goods
C. The level of the economic activity in other countries
D. The prices they anticipate to prevail in the future

11. Which one of the following is not the cause of market failure? (1)

A. Monopoly
B. Factors immobility
C. Externalities
D. Private goods

12. Suppose Sol-ech - Company receives positive externalities from COMP educated graduate subsidize computer education through scholarship. In which of the following group is this type of solution for market failure listed? (1)

A. Voluntary collective action solution
B. Government imposed solution
C. Private market solution
D. Non-excludability

13. Which one of the following is an example of public goods? (1)

A. Houses
B. Wilderness
C. Food items
D. Clothes

14. Which one of the following characterize public goods? (1)

A. Rivalry and excludability
B. Rivalry and non -excludability
C. Non- Rivalry and excludability
D. Non-rivalry and non -excludability

15. Which one of the following factor is the reason for market inefficiency in the provision of public goods? (1)

A. Externality
B. Diversity
C. Free riding
D. High marginal cost

16. Which one of the following microeconomic policy involves by which the government manipulates its expenditure and revenue side? (1)

A. Monetary policy
B. Income policy
C. Fiscal policy
D. Exchange rate policy

17. Which one of the following instrument is considered by the contractionary fiscal policy when there is an excess demand and inflationary pressure in the economy? (1)

A. A decrease in expenditure
B. An increase in expenditure
C. Reduction of taxes
D. reduction of revenue

18. A tight monetary policy is applied in circumstance where there is (1)

A. High inflation
B. High economic growth
C. High unemployment
D. Slow economic growth

19. If tight fiscal and monetary policies fail to address the problem of rising price level, what is the alternative policy that the government should consider? (1)

A. Exchange rate policy
B. Income policy
C. Trade policy
D. Interest rate policy

20. Which one of the following exchange rate regime is the one is determined by the government political and economic decisions? (1)

A. Floating exchange rate regime
B. Fixed exchange rate regime
C. Managing floating
D. Crawling peg regime

21. Which one of the following difference is the cause for efficiency loss in the presence of negative externalities? (1)

A. Between marginal social benefits and marginal private benefits
B. Between marginal social cost and marginal private cost
C. Between private marginal cost and marginal external cost
D. Between private marginal benefits and marginal external benefits

22. When insurance company provides fringe benefit and marginal benefits on the basis of an average rate over set of employees and guarantee them to participate in the program, then this can see as solution for which one of the following problem? (1)

A. Adverse selection
B. signaling
C. Moral hazard
D. screening

23. Which one of the following macroeconomic policies involves management of money supply and interest rate? (1)

A. Fiscal policy
B. Exchange rate policy
C. Monetary policy
D. Income policy

24. Which one of the following is the monetary policy tool that involves the purchase and sale of securities by the nation's central bank? (1)

A. Discount rate
B. Open market operation
C. Required reserve ratio
D. Government spending

25. Which one of the following is considered to be fiscal policy tool? Which one is it? (1)

A. Taxation
B. Grants in aid
C. Investment
D. Transfer payment

26. Which one of the following is correct about price ceiling? (1)

A. It is one of the income policies that keeps a price from declining from certain limit
B. It is a maximizing price set by law to make a basic consumption goods affordable to buyers
C. It should be set above the equilibrium price to make it more effective
D. It is discourages consumers from buying goods and services since they are now paying higher prices.

27. Suppose the value of an Ethiopian Birr in terms of Kenya Shilling is getting higher. What is the impact of this on the Ethiopian export to Kenya? (1)

A. It will make the price of Ethiopian goods in the Kenya market cheaper
B. It will make the price of Kenyan import in the Ethiopian market expensive.
C. It will increase Ethiopia's export earning
D. It will reduce Ethiopia's export earning

28. Which one of the following clearly define taxation? (1)

A. It is a voluntary payment
B. It is the only source of government revenue.
C. It is levied without anything in direct return
D. It encourage inexistence of government

29. Which one of the following explains the tax principles called "canon of economy"? (1)

A. Everyone should pay tax according to his ability
B. The amount of tax that we are supposed to pay should be known in advance.
C. Every tax payer should pay the tax in his own convenient
D. The cost of tax collection should be as minimum as possible.

30. Which one of the following is the implication one a good tax is referred to as broad bases? (1)

A. The system should impose tax on all people without discrimination
B. The system should ensure that an income inequality is reduced
C. The system should impose tax on income and properties and commodities
D. The system should ascertain that national income and living standard is increasing.

— END OF EXAMINATION —