

**OROMIA EDUCATION BUREAU
FIRST ROUND ECONOMICS MODEL EXAM FOR GRADE 12 STUDENTS, 2017/2025.**

TIME ALLOWED: 2:30

GENERAL DIRECTIONS

THIS BOOKLET CONTAINS *ECONOMICS* FIRST ROUND MODEL EXAM FOR GRADE 12 IN THIS BOOKLET, THERE ARE TOTAL OF **100** MULTIPLE CHOICE QUESTIONS.

THERE IS ONLY ONE BEST ANSWER FOR EACH QUESTION. CHOOSE THE BEST ANSWER FROM THE GIVEN ALTERNATIVES AND WRITE THE LETTER OF YOUR CHOICE ON THE ANSWER SHEET PROVIDED.

YOU ARE ALLOWED TO WORK ON THE EXAM QUESTIONS FOR **150 MINUTES ONLY**. WHEN TIME IS CALLED, YOU MUST IMMEDIATELY STOP WORKING ON THE QUESTIONS AND PUT DOWN YOUR PEN/PENCIL AND WAIT FOR WHAT YOU MIGHT BE TOLD TO DO.

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

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

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

**OROMIA EDUCATION BUREAU FIRST ROUND ECONOMICS MODEL EXAM FOR GRADE 12
STUDENTS, 2017/2025.**

Directions: Each of the following questions is followed by four possible alternatives. Read each question carefully and blacken the letter of your best choice on the separate answer sheet provided.

1. The study of the structure and performance of national economies and of the policies that governments use to try to affect economic performance is:
 - A. Microeconomics
 - B. Macroeconomics
 - C. Business cycle
 - D. Economic development
2. Which of the following is a key question macroeconomics seeks to answer?
 - A. What causes individual behaviour in markets?
 - B. What are the factors affecting the demand for goods?
 - C. How can a nation increase its rate of economic growth?
 - D. What determines the pricing of individual goods?
3. How does the domestic economy interact with the rest of the world, according to macroeconomics?
 - A. Through microeconomic decisions
 - B. Through trade balance and exchange rates
 - C. Through global pricing systems
 - D. Through corporate decision-making
4. When calculating GDP using the product approach, why are only final goods and services considered?
 - A. To avoid inflationary effects
 - B. To measure government spending accurately
 - C. To prevent double counting
 - D. To focus on consumer behaviour
5. Which macroeconomic goal is most crucial for sustaining long-term economic growth?
 - A. Achieving full employment
 - B. Reducing government debt
 - C. Ensuring fair distribution of income
 - D. Maintaining price stability
6. Which approach would you recommend to measure GDP if you want to focus on consumer spending?
 - A. Product approach
 - B. Net exports approach
 - C. Income approach
 - D. Expenditure approach
7. If a government prints more money to pay for war time expenses, what kind of inflation is this likely to cause?
 - A. Demand-pull inflation
 - B. Cost-push inflation
 - C. Currency-induced inflation
 - D. Structural inflation
8. If a country is in the contraction phase of the business cycle, what would you expect to happen to employment?
 - A. Unemployment will decrease
 - B. Unemployment will increase
 - C. Employment will stabilize
 - D. Employment will increase
9. Which one of the following constitutes GDP in income approach?
 - A. Consumption, investment, government spending and net export
 - B. Wage and salary, depreciation, rental income, profit and indirect business tax.
 - C. Export, investment, rental income, and compensation of employee.
 - D. Compensation of employee, Investment, interest, and net factor income.
10. Suppose that the prices of imported consumption goods rose from the base year, which is the most accurate statement about CPI and the GDP deflator
 - A. The CPI rises but the GDP deflator doesn't change
 - B. The GDP rises but the CPI does not change
 - C. Both the GDP deflator and CPI rise
 - D. Both the GDP deflator and the CPI don't change

OROMIA EDUCATION BUREAU FIRST ROUND ECONOMICS MODEL EXAM FOR GRADE 12 STUDENTS, 2017/2025.

11. Which of the following is NOT an economic activity and hence not included while estimating national income?
- A. medical services rendered by a dispensary C. a lawyer doing his practice
B. a housewife doing household work D. a maid working full time with a family
12. Expenditure method focuses on measurement of National income at:
- A. Phases of production of goods and services C. phase of income disposition
B. phase of income distribution D. phases of distribution of goods and services
13. A reasonable measure of the standard of living in a country is suggested to be:
- A. Real GDP per person. C. Nominal GDP per person.
B. The growth rate of nominal GDP per person. D. Real GDP
14. Which of the following is considered creeping inflation?
- A. Prices rise at a rate of 3% or less annually C. Prices double every 15 hours
B. Prices rise rapidly at 10-20% annually D. Prices rise over 50% per month
15. In the case of a recession, how can a government stimulate the economy without worsening the national debt?
- A. By cutting taxes significantly and increasing government subsidies to businesses.
B. By investing in infrastructure and social programs that create jobs and stimulate demand.
C. By tightening fiscal policies and reducing public sector spending.
D. By printing money to increase government spending and reduce debt burden.
16. "Economic Development" is different from "Economic growth", because development takes into account:
- A. Inter-temporal shifts in production possibility curves.
B. Output per unit of capital
C. Income distribution
D. Efficiency gains resulting from the use of new capital
17. Occasionally, rapidly rising prices for basic inputs such as energy result in higher prices for many goods and services. The resulting inflation is best categorized as:
- A. Cost Pull C. Demand pull
B. Cost Push D. Demand Push
18. The type of unemployment that occur due to absence of vacancies is:
- A. Cyclical unemployment. C. Seasonal unemployment.
B. Frictional unemployment D. Structural unemployment
19. **Sisay** voluntarily quit his job as an insurance agent to return to school full-time to earn a BA degree. With Diploma in hand he is now searching for a position in management. **Sisay** presently is:
- A. Cyclically unemployed. C. structurally unemployed
B. Frictionally unemployed D. seasonally unemployed
20. To be officially unemployed a person must:
- A. Be waiting to be called back from a layoff. C. has just lost a job.
B. Be 23 years of age or older. D. be in the labor force
21. A person is out of labor force if she/he:
- A. Is employed but currently looking for better job C. Is retired
B. Is laid off and looking for working D. Voluntarily quit and looking for work

**OROMIA EDUCATION BUREAU FIRST ROUND ECONOMICS MODEL EXAM FOR GRADE 12
STUDENTS, 2017/2025.**

22. The natural rate of unemployment is:
- A. Higher than the full-employment rate of unemployment.
 - B. Lower than the full-employment rate of unemployment.
 - C. Found by dividing total unemployment by the size of the labor force.
 - D. That rate of unemployment occurring when the economy is at its potential output.
23. Business cycle shows short run fluctuations in:
- A. GDP and GNP
 - B. Employment and output
 - C. interest rate and investment
 - D. Aggregate demand and supply
24. Which of the following marks as beginning of business cycle?
- A. Trough
 - B. recovery
 - C. peak
 - D. recession
25. Economists from which of the following schools of thought are most likely to favour activist government policies?
- A. Keynesian
 - B. Classical
 - C. Monetarist
 - D. New classical
26. A group of modern economists who believe that price and wage rigidities do not provide the only rationale for macroeconomic policy activism are called:
- A. New-Keynesians
 - B. Keynesians.
 - C. Monetarists
 - D. The Classical School.
27. Which of the following curves does **NOT** appear in the AS-AD model?
- A. Short run Aggregate supply
 - B. Aggregate demand
 - C. long run Aggregate supply
 - D. long run Aggregate demand
28. How long run aggregate supply curve can shift?
- A. Due to a short run change in investment
 - B. Due to a short run change in demand
 - C. Due to a long run change in consumption
 - D. Due to a long run change in investment
29. Which of the following is NOT a reason why the aggregate demand curve slopes downward?
- A. The exchange-rate effect
 - B. The wealth effect.
 - C. The monetary neutrality effects
 - D. The interest-rate effect
30. The increase in spending that occurred because of the increase in the real value of money when the price level falls is:-
- A. The interest rate effect
 - B. The wealth effect
 - C. The foreign trade effect
 - D. The income effect
31. Why is the Short run aggregate supply curve upward sloping?
- A. Because wages are flexible in the short run
 - B. Because firms produce more as prices rise
 - C. Because of the misperception theory
 - D. Because workers are always fully employed

OROMIA EDUCATION BUREAU FIRST ROUND ECONOMICS MODEL EXAM FOR GRADE 12 STUDENTS, 2017/2025.

32. How should policy makers respond to a persistent supply-side shock that reduces aggregate supply in the short run?
- A. Increase government spending to stimulate demand
 - B. Reduce taxes to encourage production
 - C. Raise interest rates to decrease inflation
 - D. Keep monetary policy unchanged
33. What is the Potential difference between long-run and short-run aggregate supply (LRAS and SRAS)?
- A. LRAS is vertical, and SRAS is upward-sloping
 - B. LRAS is horizontal, and SRAS is downward-sloping
 - C. LRAS represents full employment, while SRAS reflects changes in the price level
 - D. LRAS depends on the price level, and SRAS depends on the level of output
34. Suppose a country is facing high inflation and high unemployment simultaneously. What could the government do to address both problems without worsening the situation?
- A. Increase government spending to stimulate demand, but also tighten the money supply to control inflation.
 - B. Raise interest rates to reduce inflation, but cut taxes to encourage investment.
 - C. Reduce interest rates to encourage borrowing, while also cutting wages to control inflation.
 - D. Increase government subsidies for businesses to promote growth while reducing social benefits.
35. Suppose the economy is initially in long-run equilibrium. Then suppose there is an increase in military spending due to rising international tensions. According to the model of aggregate demand and aggregate supply, what happens to prices and output in the long run?
- A. Output falls; prices are unchanged from the initial value.
 - B. Prices fall; output is unchanged from its initial value.
 - C. Output and the price level are unchanged from their initial values.
 - D. Prices rise; output is unchanged from its initial value
36. The another name for an open access property is;
- A. Tragedy of the Commons.
 - B. Greenhouse effect.
 - C. Social marginal cost
 - D. public good.
37. One of the following is NOT a source of market failure?
- A. Public goods
 - B. Presence of externalities
 - C. Product is both rival and excludable
 - D. Asymmetric information
38. What allows a nation's courts to intervene in a market to address externalities?
- A. Protocols.
 - B. Lawsuits.
 - C. Command-and-control regulations.
 - D. Open access property
39. Which of the following is NOT a consumer right under the Ethiopian Consumer Protection Act?
- A. Right to sufficient information about goods
 - B. Right to buy based on personal choice
 - C. Right to demand an unreasonable price
 - D. Right to claim compensation for damages
40. Which of the following is an argument for consumer protection?
- A. To protect businesses from competition
 - B. To ensure consumers are not exploited by unethical practices
 - C. To increase the price of goods
 - D. To eliminate consumer choice

OROMIA EDUCATION BUREAU FIRST ROUND ECONOMICS MODEL EXAM FOR GRADE 12 STUDENTS, 2017/2025.

41. If a consumer is insured and takes more risks, this is valued as an example of:
- A. Adverse selection
 - B. Moral hazard
 - C. Price discrimination
 - D. Positive externality
42. The meaning of "reciprocal externalities" is:
- A. Externalities that affect only the producer
 - B. A situation where both parties involved in a transaction impose externalities on each other
 - C. Externalities that occur in a one-way relationship
 - D. Externalities that are ignored by the market
43. Which of the following is a type of business malpractice that falls under consumer protection?
- A. Charging more than the maximum retail price
 - B. Selling goods below market price
 - C. Providing excess information about a product
 - D. Giving consumer discounts on multiple products
44. The main objective of consumer protection laws is appreciable:
- A. To increase consumer spending
 - B. To safeguard the interests of consumers from unethical business practices
 - C. To ensure businesses make higher profits
 - D. To eliminate competition in the market
45. Which of the following is **LEAST** likely lead to inflationary monetary policy?
- A. Rising unemployment
 - B. Expanding federal budget deficits
 - C. Declining oil prices
 - D. Conflict in the North Ethiopia
46. Which of the following is a type of open-market operation?
- A. The government sells Treasury bills to the public.
 - B. The government prints money and uses it to buy army uniforms.
 - C. The State bank sells Treasury bills to the public.
 - D. The State bank buys foreign currency in the exchange market.
47. What effect does a country's political instability have on its exchange rate?
- A. It tends to increase the demand for the currency, appreciating it.
 - B. It tends to lower foreign investment, leading to depreciation of the currency.
 - C. It leads to currency stability.
 - D. It causes the currency to be pegged to another country's currency.
48. When demand pull inflation occurs, what type of policy may help to control it?
- A. Expansionary Fiscal Policy.
 - B. Contractionary Fiscal Policy.
 - C. Expansionary Monetary Policy.
 - D. Contractionary Monetary Policy.
49. Which one of the following is **NOT** advantages of floating exchange rate?
- A. Lack of policy constraints
 - B. Protection from external shocks
 - C. Speculation
 - D. Correction of balance of payment deficit
50. A Deliberate changes in government spending and tax collections to achieve socio-economic goal is
- A. monetary policy
 - B. direct controls
 - C. Fiscal policy
 - D. policy rules
51. If the government is interested to target specific sectors of the economy, which policy instrument would be used?
- A. Fiscal policy
 - B. Monetary policy
 - C. Income policy.
 - D. Exchange rate policy

OROMIA EDUCATION BUREAU FIRST ROUND ECONOMICS MODEL EXAM FOR GRADE 12 STUDENTS, 2017/2025.

52. Which of the following measures have to be adopted to curb out inflation from the economy?
- A. Increase in government expenditure and reduction in taxation.
 - B. Decrease in Government expenditure and increase in taxation.
 - C. Increase in transfer payments and increase in taxation.
 - D. Decrease in transfer payments and decrease in taxation.
53. Suppose the value of Kenyan shilling in terms of Sudanese pound is getting lower. What is the impact of these on Kenyan export to Sudan?
- A. It will make the price of Kenyan goods in Sudanese market cheaper.
 - B. It will make the price of Sudanese Import in the Kenyan market expensive.
 - C. It will decrease Kenya's export earnings.
 - D. It will increase Kenya's export earnings.
54. Suppose the Ethiopian Population is estimated to be 120 million in the year 2016 E.C. The number of children below the age of 14 is 30 million while the number of the elder ones above the age of 65 is 10 million. If the total number of economically inactive population is 5 million whereas those people who are unemployed are 20 million. Then what are the total number of labour force and the employment rate, respectively?
- A. 20 million & 27% **B. 73 million & 75 %** C. 75 million & 73% D. 27 million & 20%
55. If a farmer sells Wheat to miller for birr.1000 and miller sells flour to baker for birr.1200 and baker sells bread to consumer for birr.1500, then total value added by Miller and baker is:
- A. 500 B. 1000 C. 1200 D. 1500
56. What is meant by "unrequited" in the definition of tax?
- A. Taxes paid voluntarily
 - B. Taxes paid in return for goods
 - C. Taxes paid without a direct return benefit
 - D. Taxes collected based on income
57.is imposed on selected goods such as **luxury goods, Cigarettes and Alcohols**.
- A. Withholding tax
 - B. Stamp duties
 - C. Excise duties
 - D. Sur tax
58. What is the key characteristic of a good tax system?
- A. It is voluntary and non-binding
 - B. It is simple, financially adequate, and elastic
 - C. It is transparent and arbitrary
 - D. It relies on high tax rates
59. What does a progressive tax system ensure?
- A. Everyone pays the same amount of tax
 - B. Higher-income individuals pay a higher share of tax
 - C. Wealthy individuals pay fewer taxes
 - D. Taxes are regressive for all income groups
60. Which principle of taxation ensures that taxpayers are taxed based on their ability to pay?
- A. Canon of economy
 - B. Canon of equity
 - C. Canon of fiscal adequacy
 - D. Canon of certainty
61. In which situation would the principle of "tax incidence" be most relevant?
- A. When distributing the burden of tax among different groups
 - B. When determining the source of government revenue
 - C. When calculating tax rates for different commodities
 - D. When establishing the due date for tax payments

OROMIA EDUCATION BUREAU FIRST ROUND ECONOMICS MODEL EXAM FOR GRADE 12 STUDENTS, 2017/2025.

62. What is a key difference between direct and indirect taxes?
- A. Direct taxes are paid by consumers; indirect taxes are paid by producers
 - B. Direct taxes are paid by the income earner; indirect taxes are paid by consumers
 - C. Direct taxes are not compulsory; indirect taxes are compulsory
 - D. Direct taxes impact consumers, whereas indirect taxes impact producers
63. If a government wants to ensure economic stability and growth, which principle should it adopt when designing a tax system?
- A. Simplicity and fairness
 - B. Dependence on foreign aid
 - C. High rates of direct taxes
 - D. Flexibility and economic efficiency
64. In what way does the “ability-to-pay” approach relate to vertical equity in taxation?
- A. It ensures equal tax obligations for all taxpayers.
 - B. It imposes higher tax burdens on those with greater financial resources.
 - C. It ensures that only the wealthy are taxed at higher rates.
 - D. It is not related to vertical equity.
65. Which of the following is an exempt income in Ethiopia?
- A. Salary from employment
 - B. Gratuity received upon termination of employment
 - C. Medical treatment expenses for employee
 - D. Rental income
66. What is the purpose of excise tax in Ethiopia?
- A. To tax luxury items
 - B. To raise income from imports
 - C. To prevent tax evasion
 - D. To promote business growth
67. Which of the following scenarios best illustrates tax evasion in Ethiopia?
- A. A business reports income accurately and pays the due taxes
 - B. A taxpayer utilizes legal exemptions and deductions to reduce taxes
 - C. A company reports its profits but not its expenses
 - D. An individual underreports income to reduce their tax liability
68. Which of the following statements best contrasts relative poverty with absolute poverty?
- A. Absolute poverty is concerned with deprivation of basic needs, while relative poverty focuses on inequality within a society or region
 - B. Relative poverty is more severe than absolute poverty
 - C. Absolute poverty affects people living in cities, while relative poverty affects rural populations
 - D. Both types of poverty refer only to economic deprivation
69. Why do we need to measure poverty?
- A. To eliminate all economic disparities
 - B. To keep poor people on the agenda, identify them, and evaluate interventions
 - C. To increase economic inequality
 - D. To reduce government spending on social services

**OROMIA EDUCATION BUREAU FIRST ROUND ECONOMICS MODEL EXAM FOR GRADE 12
STUDENTS, 2017/2025.**

70. What is the Foster-Greer-Thorbecke (FGT) index used for?
- A. To evaluate income inequality across a population
 - B. To calculate GDP growth
 - C. To understand the degree of income inequality among the poor
 - D. To measure the unemployment rate
71. If a country's poverty rate is measured using the headcount index, which of the following factors is most likely to influence the result?
- A. The total population size
 - B. The exact amount of income of all individuals
 - C. The percentage of the population living below the poverty line
 - D. The wealth distribution across the population
72. In a poverty measurement survey, if a person is found to have insufficient electricity and inadequate sanitation, under which dimension would these deprivations be categorized?
- A. Health
 - B. Education
 - C. Standard of living
 - D. Employment
73. In Sen's capability approach, what matters for determining poverty?
- A. Only the amount of income a person has.
 - B. The amount of resources available in society.
 - C. The number of commodities a person consumes.
 - D. The person's ability to achieve a set of functioning's.
74. What does the Lorenz curve represent?
- A. The population's income growth over time
 - B. The share of income received by different income groups
 - C. The number of households in poverty
 - D. The relationship between wealth and health
75. What is the role of quintiles or deciles in measuring income inequality?
- A. To determine the share of income received by each income group
 - B. To break the population into equal income groups
 - C. To show the percentage of wealth held by the government
 - D. To track the poverty rate over time
76. What does a Gini coefficient of 0 represent?
- A. Perfect inequality
 - B. The top 10% controls 90% of the income
 - C. Perfect equality
 - D. Complete poverty
77. Which region experienced almost no rate reduction in poverty from 1950 to 2000?
- A. Southeast Asia
 - B. Latin America
 - C. Sub-Saharan Africa
 - D. Eastern Europe
78. How can integrating women into development programs improve overall poverty alleviation?
- A. By focusing only on male participation in economic growth
 - B. By ensuring women's contributions to the economy and well-being of families
 - C. By limiting women's education to traditional roles
 - D. By restricting women's participation in formal-sector employment

OROMIA EDUCATION BUREAU FIRST ROUND ECONOMICS MODEL EXAM FOR GRADE 12 STUDENTS, 2017/2025.

87. Which of the following would be the most effective strategy for Ethiopia to ensure structural economic transformation by 2030?
- A. Focusing solely on agricultural exports
 - B. Boosting manufacturing industries and industrial exports
 - C. Reducing foreign direct investment
 - D. Relying on foreign loans to finance development
88. What is the primary objective of Ethiopia's home-grown economic reform (HGER)?
- A. Increase external aid
 - B. Promote military spending
 - C. Sustain growth, stabilize macro-economy, and create jobs
 - D. Limit foreign investments
89. What is the purpose of Ethiopia's macroeconomic reforms in terms of fiscal policy?
- A. To enhance tax collection and public expenditure management
 - B. To increase the country's external debt
 - C. To limit government spending in all sectors
 - D. To decrease the role of the private sector in economic development
90. What was a major challenge identified in Ethiopia's economic growth between 2010 and 2020 that the reforms aim to address?
- A. Lack of available raw materials for manufacturing
 - B. Over-reliance on the agricultural sector
 - C. Inflationary pressures and lack of adequate job creation
 - D. Strong economic diversification
91. Which of the following describes fiscal decentralization?
- A. The devolution of taxing and spending powers from central government to sub-national governments
 - B. The increase of central government spending.
 - C. The equalization of taxes across all regions.
 - D. The nationalization of all fiscal powers.
92. How does decentralization potentially affect income redistribution programs?
- A. It makes redistributing income more efficient across regions
 - B. It may lead to a tax base that is too small to fund redistributive programs
 - C. It increases the national government's capacity to redistribute income
 - D. It eliminates the need for redistributive programs
93. How does economic activity affect environmental resources?
- A. It increases the supply of renewable resources
 - B. It can lead to environmental degradation and depletion of natural resources
 - C. It enhances the efficiency of natural ecosystems
 - D. It has no impact on environmental resources
94. Which of the following is a key implication of the "poverty-environment nexus"?
- A. The poor are less affected by environmental degradation
 - B. Economic development always leads to environmental improvement
 - C. The poor contribute to and are also victims of environmental degradation
 - D. Economic development always improves the quality of natural resources

**OROMIA EDUCATION BUREAU FIRST ROUND ECONOMICS MODEL EXAM FOR GRADE 12
STUDENTS, 2017/2025.**

95. How does the "environmental Kuznets curve" relate to economic growth and environmental degradation?
- A. It suggests that environmental degradation will continue to rise as income levels increase
 - B. It suggests that as income levels rise, pollution first increases and then decreases
 - C. It assumes that economic growth will not impact the environment
 - D. It predicts that poverty leads to a decrease in environmental pollution
96. What is the relationship between population growth and environmental degradation in rural areas?
- A. Population growth leads to better environmental management
 - B. Population growth reduces pressure on natural resources
 - C. Population growth increases the demand for natural resources, contributing to environmental degradation
 - D. Population growth has no impact on environmental conditions
97. Which of the following climate change adaptation strategies would best support food security in drought-prone regions?
- A. Introducing desalination plants to convert sea water into fresh water.
 - B. Developing drought-resistant crop varieties and improving irrigation.
 - C. Increasing deforestation to create more agricultural land.
 - D. Reducing food exports to conserve resources for local consumption.
98. What does the term "green economy" refer to?
- A. An economy with high carbon emissions but rapid growth.
 - B. An economy focused on fossil fuel production and industrial expansion.
 - C. An economy based on agriculture and deforestation.
 - D. An economy that reduces environmental risks and promotes sustainable development
99. Why is the Green Legacy Initiative in Ethiopia significant in the fight against climate change?
- A. It aims to curb deforestation and mitigate the effects of climate change through tree planting.
 - B. It focuses on industrial development.
 - C. It is solely focused on increasing agricultural productivity.
 - D. It promotes the use of fossil fuels in energy production.
100. What is an example of adaptation to climate change?
- A. Implementing carbon taxes
 - B. Shifting to renewable energy
 - C. Constructing flood defences in flood-prone areas
 - D. Reducing emissions from factories

THE END!!

