



YEKA SUB CITY EDUCATION OFFICE (YSEO) ETHIOPIAN SUNIVERSITY
ENTRANCE MODEL EXAMINATION (EUEEME) ECONOMICS, 2013 E.C.MAY2021

BOOK LET CODE: 55

SUBJECT CODE: 05

TIME ALLOWED, 2:30

GENERAL DIRECTIONS

THIS BOOKLET CONTAINS **ECONOMICS** EXAMINATION. THE CODE FOR THIS EXAMINATION IS **05** AND THE CODE FOR THIS PARTICULAR BOOKLET IS **55**. PLEASE COPY THESE CODES ON YOUR ANSWER SHEET WHERE IT READS BOOK LET CODE AND SUBJECT CODE. IN THIS EXAMINATION, THERE ARE A TOTAL OF **80 MULTIPLE CHOICE QUESTIONS OUT OF WHICH SIGHTED (NON-VISUALLY IMPAIRED) CANDIDATES ARE REQUIRED TO ATTEMPT QUESTIONS 1 - 75 WHERE AS THE VISUAL IMPAIRED CANDIDATES ARE REQUIRED TO ATTEMPT QUESTIONS 1-70 AND QUESTIONS 76 - 80**. CAREFULLY SELECT THE BEST ANSWER AND **BLANKEN** ONLY THE LETTER OF YOUR CHOICE ON THE SEPARATE ANSWER SHEET PROVIDED. USE ONLY **PENCIL** TO MARK YOUR ANSWERS.YOUR ANSWER MARK SHOULD BE **HEAVY AND DARK**. PLEASE ERASE ALL UNNECESSARY MARKS COMPLETELY FROM YOUR ANSWER SHEET. YOU ARE ALLOWED TO WORK ON THE EXAM FOR **2:30 HOURS**. WHEN TIME IS CALLED, YOU MUST IMMEDIATELY STOP WORKING, PUT YOUR PENCIL DOWN AND WAIT FOR FURTHER INSTRUCTINS. 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. PLEASE MARK SURE THAT YOU HAVE WRITTEN ALL THE REQUIRED INFRMATION ON THE ANSWER SHEET BEFORE YOU START TO WORK ON THE EXAMINATION.

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

Prepared by; Fish G.

Direction I: Each of the following questions is followed by four possible Alternatives. Read each questions carefully and blacken the letter of your choice on the separate answer sheet provided.

1. Which of the following is **NOT True** about Economics?
 - A. Economics is a of both an Art and a Science
 - B. Economics is concerned how to make the best use of economic resources.
 - C. Economics is a discipline which study exclusively individual saving
 - D. Economics is a study of how individuals manage their house
2. Which of the following is **True** about cross price elasticity, income elasticity and price elasticity?
 - A. The cross price elasticity of demand for substitute goods is always negative
 - B. For inferior goods, income elasticity of demand is always negative
 - C. The cross price elasticity of demand for complement goods is always positive
 - D. The cross price elasticity of demand for unrelated goods is always positive
3. Which of the following is **True** about production period?
 - A. Short run refer to a production period less than one year
 - B. In short run fixed input can be changed
 - C. In long run all inputs can be fixed
 - D. In the long run all inputs could be changed
4. For a rational consumer, total utility (TU) will be a maximum when
 - A. Marginal Utility (MU) = Average Utility (AU)
 - B. Marginal utility(MU) = Total Utility(TU)
 - C. Marginal Utility(MU) is Zero(0)
 - D. Average Utility(AU) is Zero(0)
5. Indifference curves are convex to the origin because we assumed that two consumption goods are:
 - A. Perfect complements
 - B. Perfect substitutes
 - C. Unrelated
 - D. Imperfect substitutes
6. A situation in which people are engaged in job but these job do **Not** measure up to their capabilities, efficiency and qualifications
 - A. Full employment
 - B. Under employment
 - C. Unemployment
 - D. Disguised unemployment

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7. In the ordinary theory of utility, the income consumption curve (ICC) shows the way in which
- A. Consumption varies as price of two commodities change
 - B. Consumption varies as price of a commodity change
 - C. Consumption varies as income of the consumer change
 - D. Income is affected as price of two commodities change
8. Currently, the Ethiopian economic system is practically a type of :
- A. Capitalist or free market economic system
 - B. Command (socialist) economic system
 - C. Mixed (hybrid) economic system
 - D. Traditional (subsistence) economic system
9. In monopolistic competition firm maximize profit at the level of output at which
- A. Marginal Revenue(MR) = Marginal Cost (MC) and MC is falling
 - B. Marginal Revenue(MR) = Average Revenue (AR)
 - C. Marginal Revenue(MR) = Average Cost (AC)
 - D. Marginal Revenue(MR) = Marginal Cost (MC) and MC is raising
10. Which of the following is NOT included in current account?
- A. Trade balance
 - B. Net service
 - C. Foreign direct investment
 - D. Net transfer payment
11. An increase in injection into economy may lead to an outward shift of aggregate
- A. Demand and cost – push inflation
 - B. Demand and demand – pull inflation
 - C. Supply and cost – push inflation
 - D. Supply and demand – pull inflation

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12. Which of the following is NOT the positive function of Money?
- A. As a medium of exchange
 - B. As a standard of deferred payment.
 - C. As a store, measure and transfer value
 - D. As a finance of terrorism
13. Which of the following is a microeconomic issue?
- A. Basic elements of demand, supply and elasticity of individual buyers and sellers.
 - B. International trade and balance of payments (BOP)
 - C. The national income and economic policy instruments
 - D. Inflation and unemployment, dramatically increased in Ethiopia
14. All are the resources a base for the Ethiopian economy EXCEPT
- A. population and live stock
 - B. Land and Environment
 - C. Forestry and Fishery
 - D. Natural gas and Motor car
15. The opportunity cost of any economic action is
- A. The time required but not the monetary cost.
 - B. The monetary cost but not the time required.
 - C. The next best alternative forgone.
 - D. All the possible alternatives foregone.
16. Identify the wrong statement about production possibility curve (PPC)?
- A. All points that lies on the PPC are both efficient& attainable
 - B. PPC curve has Convex to origin to indicate decreasing opportunity cost
 - C. All points that lies inside PPC are inefficient but attainable
 - D. All points that lies outside the PPC are unattainable but desirable
17. Shortage of economic resources mainly implies that people must
- A. Trade of satisfy their wants
 - B. Cooperate to satisfy their wants
 - C. Compete to satisfy their wants
 - D. Make choices to satisfy their wants

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18. The law of demand states that, ceteris paribus, the higher the price of a good
- A. The larger is the demand for the good.
 - B. The smaller is the demand for the good.
 - C. The smaller is the quantity of the good demanded
 - D. The larger is the quantity of the good demanded.
19. A decrease in quantity demand due to a rise in the price of the commodity is, graphically, represented by a
- A. Movement up and to the left along a demand curve
 - B. Movement down and to the right along a demand curve.
 - C. Right ward shift in the demand curve
 - D. Leftward shift in the demand curve
20. Which of the following is a determinant of the demand for good Y
- A. The cost of labor used to produce good Y.
 - B. Fiscal policy of the government
 - C. The income of consumers who buy good Y.
 - D. The number of sellers of good Y
21. A business college decides to increase tuition fees aiming to get higher total revenue. This strategy will however work if the demand for education at that business college is
- A. Price – elastic demand
 - B. Price – inelastic demand
 - C. Perfectly elastic demand
 - D. Unit elastic demand
22. Which one of the following can be used to measure the performance of the industrial sector **EXCEPT**
- A. Gross Value of output (GVO)
 - B. Value added at factor cost (VAFC)
 - C. Value added at Current market price (VACMP)
 - D. Human Development Index (HDI)

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23. If the cross price elasticity of demand for two products is - 2.5, then products are
- A. Complement and demand is cross price elastic
 - B. Substitute and demand is cross price inelastic
 - C. Complement and demand is cross price inelastic
 - D. Substitute and demand is cross price elastic
24. The difference b/n gross national product(GNP) & the net national product (NNP) is
- A. Net exports
 - B. The net factor income (NIF) from abroad.
 - C. Net taxes.
 - D. Capital consumption allowance or depreciation.
25. Which one of the following is **Not** main property of marginal propensity to consume (MPC)?
- A. MPC rises with increase in income of the consumer.
 - B. MPC is greater than zero, but less than one
 - C. MPC is stable in the short – run.
 - D. MPC of rich people is generally higher than those of poor people.
26. The sum of marginal propensity to consume (MPC) and marginal propensity to save (MPS) is always equal to
- A. Zero (0)
 - B. Unit(1)
 - C. Less than unit(<1)
 - D. Greater unity (>1)
27. International free trade is based on the principle of
- A. Comparative advantage
 - B. Increasing economies of scale
 - C. Production possibility advantage
 - D. Constant economies of scale.
28. When a country's imports are more than exports, the country is said to have a
- A. Positive value of trade
 - B. Favorable foreign trade
 - C. Trade balance
 - D. Trade deficit

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29. When one of the following may give rise for a cost – push inflation?
- A. Rapid population growth
 - B. Economic growth (increase in P CI of individuals in a given society)
 - C. Increase in wages and price of raw materials
 - D. Increase in money supply – due to deficit financing
30. A devaluation of the Ethiopian Birr may have inflationary consequences in the Ethiopian Economy mainly because it
- A. Decrease the international competitiveness of Ethiopian producers
 - B. Increase the costs of export
 - C. Discourage exports
 - D. Increase the costs of imported goods.
31. Which of the following is a capital expenditure of the government budget?
- A. Repayment of public debts
 - B. Pension payments
 - C. Purchase of machineries
 - D. Salaries of civil servants
32. From the under listed policy interventions, the one which does Not enhance agricultural productivity in Ethiopia is ____
- A. enhancing the extension service
 - B. Introduction of new and improved varieties of seeds and inputs
 - C. Introducing tariff s and taxes on intermediate agricultural inputs
 - D. Development and expansion of irrigation coverage
33. The manufacturing sector in Ethiopia is characterized by
- A. The prevalence of strong and dominant firms in the international market
 - B. The dominance of firm with labor intensive technologies
 - C. Firms operating under well – established institutions and dependable infrastructure
 - D. Firms with limited access to finance and financial resources

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34. Which one of the following can not be taken as a policy option to solve the key problems of the industrial sector in Ethiopia?
- A. Development of appropriate technology
 - B. Improving the input supply problems
 - C. Reducing the number of skilled manpower available in the economy
 - D. Improving access to finance
35. _____ refers to the purchase and sales of government securities such as bonds.
- A. Open Market Operation (OMO)
 - B. Treasury Bill (TB) & government Bond (GB).
 - C. Open Market purchase (OMP)
 - D. Open Market sale (OMS)
36. Suppose Muger cement factory has decided to subcontract supply some inputs (e. g. Lime stone) to local farmers who own the minerals. This type of linkage between industry and input suppliers is called
- A. Forward Linkage
 - B. Backward Linkage
 - C. Consumption Linkage
 - D. Horizontal linkage
37. Which one of the following government institutions is indirectly responsible for the conduct of monetary policy?
- A. Development Bank of Ethiopia (DBE)
 - B. Ministry of Trade and Industry
 - C. Commercial Bank of Ethiopia (CBE)
 - D. National Bank of Ethiopia (NBE)

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38. The contribution of service sector to foreign exchange earning in Ethiopian economy over the last couple of years is

- A. Better than the contribution by the merchandise export
- B. Below the contribution by the manufacturing sub sector
- C. Very low and insignificant and hence can be ignored.
- D. Negative and very high in terms of net balance relative to the trade balance than the contribution by the merchandise export

39. The transport sub sector in Ethiopia

- A. Was under a state control during the Derg regime
- B. Can be considered as a well- developed sector in rural part of the country
- C. Plays insignificant role in economic growth and development
- D. It was more deregulated under the Derg regime than the EPRDF

40. The two major service providers that help Ethiopia earn considerable foreign exchange compared to other service providers are

- A. National Museum and Ethio - Telecom
- B. Ethiopian Air Line and Ethiopian Shipping Lines.
- C. National Lottery and Ethio- Telecom
- D. National Museum and National Lottery

41. Compared to other African countries, Ethiopia is more successful terms of

- | | |
|-------------------------------------|----------------------|
| A. Air Transport and Civil aviation | C. Water Transport |
| B. Road Transport | D. Railway Transport |

42. All are the possible reason for the existence of pure monopoly market EXCEPT:

- A. The existence of perfect competition
- B. Absence of close substitutes
- C. Patent Right& Legal Barriers
- D. Control over essential raw materials

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43. Which type of market structure makes normal economic (zero) profit in the long run?
- A. Perfectly Competitive Market
 - B. Monopolistically Competitive
 - C. Oligopoly Market
 - D. Pure Monopoly Market
44. Identify the correct statement about Minerals and environment in Ethiopia.
- A. The development the mineral sector is at an infant stage.
 - B. There are insufficient amount minerals in the country.
 - C. The economy has no environmental problems.
 - D. The contribution of the mineral sector to the GDP of the country is very high.
45. Under the dreg regime,
- A. The country was structured under a capitalist economic system.
 - B. Ethiopia had no development plans.
 - C. The private sector was able to grow at a very high rate.
 - D. Ethiopia experienced a widespread drought.
46. What do the development plans under the Derg and EPRDF have in common?
- A. They have nothing in common.
 - B. They aim to bring growth and development in the economy.
 - C. The plans never talk about poverty reduction and building democracy.
 - D. They focus on industrialization as the only way to growth and development.
47. Relative to Uni- modal agriculture, Bi – modal agriculture
- A. Promotes transfer of technology
 - B. Reduce inequality among rural households
 - C. Focused only on production of food crops
 - D. Protect peasants from eviction
48. Which one of the following is Not the Main Objectives Structural Adjustment Program (SAP)?
- A. Reducing the productive capacity of the economy.
 - B. Reducing Macro-economic distortion
 - C. Improving Economic Efficiency
 - D. Improving resources allocation

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49. The following are True of Bi- modal agricultural strategy **Except** it
- A. Promotes large scale - diversification
 - B. Supports individual rights to acquire land
 - C. Allows the transfer of technology
 - D. Creates off- farm job opportunities
50. To mitigate the problems affecting the Ethiopian agricultural sector, it is important to take the following possible remedies **Except**
- A. Promote committed literacy companies to help farmers understand price and farm – technique information
 - B. Reduce the prevailing heavy dependence on rain- fed agricultural practices
 - C. Use capital intensive technology
 - D. Pursue an effective land –ownership right in a way farmers can develop long-term farm practices.
51. The industrial groups that have recently contributed most to the Ethiopian foreign exchange earnings are
- A. Leather-footwear and wood-furniture.
 - B. Food-beverage and textiles.
 - C. Metals and non-metals.
 - D. Paper-printing and chemical.
52. The Ethiopian industrial sector is characterized by the following **except**
- A. A consumer bias against local products.
 - B. Absence of adequate institutional support.
 - C. Usage of labor intensive technology.
 - D. Strong competition from imported goods.
53. Over recent years, to establish a large-scale manufacturing hub within Africa, the Ethiopian government has particularly been doubling its efforts on
- A. Agriculture and irrigations expansion.
 - B. Special zones of industrial parks establishment.
 - C. Hotel and tourism works.
 - D. Road constructions.

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54. Which one of the following is correct Ascending order of the market structure based on its number of buyers and sellers?
- A. Pure monopoly → Oligopoly → Monopolistically competitive → Perfectly competitive
 - B. Perfectly competitive → Monopolistically competitive → Oligopoly → pure monopoly
 - C. Monopolistically competitive → Pure monopoly → Perfectly competitive → Oligopoly
 - D. Oligopoly → pure monopoly → Monopolistically competitive → Perfectly competitive
55. In an industry when a firm buys a good from another firm to use as an input for outputs is
- A. Forward linkages.
 - B. Agglomeration economies.
 - C. Localization economies.
 - D. Backward linkages.
56. The cost of self – owned- inputs is called
- A. Explicit cost
 - B. Accounting cost
 - C. Implicitcost
 - D. Economic cost
57. A country imposes tariffs to protect:
- A. Foreign consumers from domestic consumers competition
 - B. Domestic consumers from foreign consumers competition
 - C. Foreign producers from domestic producers competition
 - D. Domestic producers from foreign producers competition
58. The type of tariff which imposed based on its monetary value of the product is called
- A. Ad valorem tariff
 - B. Specific tariff
 - C. Compounded tariff
 - D. Quota
59. Ethiopian export is dominated by :
- A. Agricultural product
 - B. Industrial product
 - C. Pharmaceutical product
 - D. Manufacturing product
60. Which of the following is/are example (s) of fixed cost?
- A. cost of labor
 - B. cost of fuel
 - C. cost of transport
 - D. Interest on borrowed funds

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61. Which one of the following is **Not** properties of isoquants?
- A. Isoquant slopes downward
 - B. Isoquant is convex to the origin
 - C. Isoquants never cross each other
 - D. Isoquant is concave to the origin
62. Why are most countries of Africa considered to be **Not** so developed?
- A. Their economy largely depends on manufacturing sub sector.
 - B. Their exports are mainly high value products.
 - C. They have high level of import substituting industries.
 - D. There is high dependency on primary economic sector.
63. The total market value of all final goods and services produced during a year, by citizen of a country is known as:
- A. Gross National Product(GNP)
 - B. Net National Product(NNP)
 - C. Gross Domestic Product(GDP)
 - D. Net National Product(NNP)
64. Currently the Ethiopian government, which type of exchange rate follows?
- A. Managed floating exchange rate system
 - B. Fixed exchange rate system
 - C. Unmanaged floating exchange rate system
 - D. Inflexible exchange rate system
65. In economic analysis, we often distinguish between private cost and social cost
- A. Social cost = Private cost + External cost
 - B. Private cost = Social cost + External cost
 - C. External cost = Social cost + Private cost
 - D. Social cost = Private cost – External cost
66. One of the following is the government economic policy which deals with taxation and government expenditure and manages the public debt in the economy.
- A. Interest rate policy
 - B. Fiscal policy
 - C. Exchange rate policy
 - D. Monetary policy

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67. A change of in total revenue due to the change in output is called
- | | |
|---------------------|---------------------|
| A. Marginal Revenue | C. Marginal Utility |
| B. Marginal Cost | D. Marginal Product |
68. Which one of the following is Not the illegal avoidance of tax?
- | | |
|----------------|--------------------------------|
| A. Tax fraud | C. Shifting of your enterprise |
| B. Tax evasion | D. Corruption |
69. The principle of taxation that states “ the higher you get the higher you will be taxed, and the lower you earn the lower you will taxed” is called
- | | |
|--------------------------|------------------------|
| A. Proportional taxation | C. Regressive taxation |
| B. Progressive taxation | D. Exempt taxation |
70. All are the major indicators of health status prevailing in Ethiopia EXCEPT:
- | |
|---|
| A. Infant mortality rate (IMR) |
| B. Child mortality rate (CMR) |
| C. Maternal Mortality rate (MMR) |
| D. Ethiopian Economic Association (EEA) |

Questions 71-75 Are to be attempted by the a Sighted Candidates only

71. Suppose the revenue function $TR = 80Q - 2Q^2$ and cost function $TC = Q^2 - 40Q + 200$ is given. What is the profit maximizing level of output (Q) and the maximum profit or minimum loss respectively?
- | | |
|----------------|----------------|
| A. 1000 and 20 | C. 20 and 1000 |
| B. 30 and 800 | D. 40 and -200 |
72. Individual demand and supply function for a commodity are given respectively as $Q_d = 1000 - 20P$ and $Q_s = 500 + 30P$. What are the market equilibrium price and equilibrium quantities respectively?
- | | |
|---------------|-----------------|
| A. 800 and 10 | C. 1000 and -20 |
| B. 10 and 800 | D. 500 and 30 |

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73. A firm's total cost function is given by: $TC = 300 + 6Q + 4Q^2$. When $Q = 4$ Units. What are the marginal cost (MC), average Variable cost (AVC) and average cost respectively?

- A. 97, 22 and 38 Birr per kilogram respectively
- B. 38, 22 and 97 Birr per kilogram respectively
- C. 38, 75 and 88 Birr per kilogram respectively
- D. 300, 88 and 388 Birr per kilogram respectively

Consider the following short run production function where capital assumed to be constant and answer question of 74 and 75.

$Q = 8L^2 - 0.2L^3$. Where Q refers to output and L refers labor

74. The approximate value of labor that maximizes marginal product is

- | | |
|-------|-------|
| A. 13 | C. 20 |
| B. 10 | D. 15 |

75. The value of labor that maximizes average product is

- | | |
|-------|--------|
| A. 15 | C. 10 |
| B. 20 | D. 7.5 |

76. All of the following average costs including marginal curves have "U" shaped **Except**

- | | |
|--------|--------|
| A. AVC | C. AFC |
| B. ATC | D. MC |

77. Which Virus is currently affects severely the World economy?

- | | |
|---------------|-----------------|
| A. HIV/ VIRUS | C. CORONA VIRUS |
| B. BIRD FILLU | D. EBO |

78. Which of the following products is most likely to be the most price elastic?

- | | |
|----------|--------------|
| A. Bread | C. Telephone |
| B. Salt | D. Newspaper |

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79. Which of the following could be **correctly** matched?

- A. Land → Wage, Capital → Interest, Entrepreneurship → Profit, Labor → Rent.
- B. Land → Rent, Capital → Wage, Entrepreneurship → profit, Labor → Wage,
- C. Land → Rent, Capital → Interest, Entrepreneurship → profit, Labor → Wage,
- D. Land → Rent, Capital → Profit, Entrepreneurship → Interest, Labor → Wage.

80. To fight high demand pull inflation and unemployment in Ethiopia, ministry of finance and economic development (MOFED) should do all of the following contractionary fiscal & monetary policy **EXCEPT**

- A. Increase in government taxation
- B. Reduction in government expenditure
- C. Buying of government securities by the central/National bank of Ethiopia
- D. Selling of government securities by the central/National bank of Ethiopia

THE END

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ECONOMICS ANSWER SHEET (2013)

1. C	17. D	33. D	49. D	65. A
2. B	18. C	34. C	50. C	66. B
3. D	19. B	35. A	51. B	67. A
4. C	20. C	36. B	52. C	68. C
5. D	21. B	37. D	53. B	69. B
6. B	22. D	38. A	54. A	70. D
7. C	23. A	39. A	55. D	71. C
8. C	24. D	40. B	56. C	72. B
9. D	25. C	41. A	57. D	73. B
10. C	26. B	42. A	58. A	74. A
11. B	27. A	43. A	59. A	75. B
12. D	28. D	44. A	60. D	76. C
13. A	29. C	45. D	61. D	77. C
14. D	30. D	46. B	62. D	78. D
15. C	31. C	47. A	63. C	79. C
16. B	32. C	48. A	64. A	80. C

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