Economics exit Exam Ethiopia

Economics Department Exit Exam Questions

Multiple-choice questions

1. What is the law of demand?

   A) As price increases, quantity demanded increases.

   B) As price decreases, quantity demanded decreases.

   C) As price increases, quantity demanded decreases.

   D) Price and quantity demanded are unrelated.

   Answer: C) As price increases, quantity demanded decreases.

2. Which of the following is a characteristic of a perfectly competitive market?

   A) Few sellers

   B) Homogeneous products

   C) High barriers to entry

   D) Price makers

   Answer: B) Homogeneous products.

3. What happens to equilibrium price when demand increases?

A) It decreases

B) It remains the same

C) It increases

D) It becomes indeterminate

Answer: C) It increases.

4. Which of the following is an example of a negative externality?

A) Education

B) Pollution

C) Public parks

D) Vaccinations

Answer: B) Pollution.

5. If the price of a substitute good increases, what happens to the demand for the original good?

A) It decreases

B) It remains unchanged

C) It increases

D) It becomes indeterminate

Answer: C) It increases.

6. What does GDP stand for?

A) Gross Domestic Product

B) General Domestic Product

C) Gross Development Product

D) General Development Product

Answer: A) Gross Domestic Product.

7. Which of the following is NOT included in GDP?

A) Government spending

B) Exports

C) Household production

D) Investment

Answer: C) Household production.

8. What is the primary goal of monetary policy?

A) To reduce government spending

B) To control inflation and stabilize the currency

C) To increase taxes

D) To promote international trade

Answer: B) To control inflation and stabilize the currency.

9. What is the term for a sustained increase in the general price level?

A) Deflation

B) Stagflation

C) Inflation

D) Recession

Answer: C) Inflation.

10. Which of the following is a tool of fiscal policy?

A) Interest rates

B) Taxation

C) Money supply

D) Reserve requirements

Answer: B) Taxation.

11. Which economist is known for the theory of comparative advantage?

A) John Maynard Keynes

B) David Ricardo

C) Adam Smith

D) Milton Friedman

Answer: B) David Ricardo.

12. What does the Phillips Curve illustrate?

A) The relationship between inflation and unemployment

B) The relationship between supply and demand

C) The relationship between GDP and national debt

D) The relationship between interest rates and investment

Answer: A) The relationship between inflation and unemployment.

13. In Keynesian economics, what is the primary driver of economic activity?

A) Supply

B) Demand

C) Government regulation

D) Technology

Answer: B) Demand.

14. What is the main assumption of classical economics?

A) Markets are always in equilibrium

B) Government intervention is necessary

C) Prices are flexible and adjust to changes in supply and demand

D) Consumers are irrational

Answer: C) Prices are flexible and adjust to changes in supply and demand.

15. Which of the following is a characteristic of monopolistic competition?

A) Homogeneous products

B) Many sellers and free entry and exit

C) Price takers

D) High barriers to entry

Answer: B) Many sellers and free entry and exit.

16. What is globalization?

A) The process of increasing economic independence among countries

B) The isolation of national economies

C) The increase of tariffs

D) The decrease in international trade

Answer: A) The process of increasing economic independence among countries.

17. Which of the following is a potential benefit of free trade?

A) Increased prices for consumers

B) Greater variety of goods

C) Job losses in certain industries

D) Trade deficits

Answer: B) Greater variety of goods.

18. What is the primary concern of environmental economics?

A) Maximizing profits

B) Sustainable resource use

C) Increasing GDP

D) Reducing taxes

Answer: B) Sustainable resource use.

19. What is the term for a market structure with a single seller?

A) Oligopoly

B) Monopoly

C) Perfect competition

D) Monopolistic competition

Answer: B) Monopoly.

20. Which of the following is a characteristic of an oligopoly?

A) Many sellers

B) Homogeneous products

C) Interdependence among firms

D) No barriers to entry

Answer: C) Interdependence among firms.

21. What is the primary purpose of antitrust laws?

A) To promote monopolies

B) To prevent anti-competitive practices

C) To regulate prices

D) To increase government revenue

Answer: B) To prevent anti-competitive practices.

22. What is the term for the total value of all final goods and services produced in a country in a given year?

A) Gross National Product

B) Net Domestic Product

C) Gross Domestic Product

D) National Income

Answer: C) Gross Domestic Product.

23. Which of the following is a leading economic indicator?

A) Unemployment rate

B) Consumer price index

C) Stock market performance

D) GDP growth rate

Answer: C) Stock market performance.

24. What is the primary function of the Federal Reserve?

A) To regulate fiscal policy

B) To control the money supply and interest rates

C) To set tax rates

D) To manage government spending

Answer: B) To control the money supply and interest rates.

25. What is the term for the situation when the economy is growing but inflation is also rising?

A) Stagflation

B) Recession

C) Boom

D) Expansion

Answer: C) Boom.

26. Which of the following is a consequence of inflation?

A) Increased purchasing power

B) Decreased cost of living

C) Erosion of savings

D) Increased investment

Answer: C) Erosion of savings.

27. What is the primary goal of a firm in a capitalist economy?

A) To maximize social welfare

B) To maximize profits

C) To minimize costs

D) To provide employment

Answer: B) To maximize profits.

28. Which of the following is an example of a public good?

A) A concert ticket

B) National defense

C) A private park

D) A subscription service

Answer: B) National defense.

29. What is the term for the additional cost of producing one more unit of a good?

A) Average cost

B) Total cost

C) Marginal cost

D) Fixed cost

Answer: C) Marginal cost.

30. Which of the following best describes a recession?

A) A period of economic growth

B) A period of declining GDP for two consecutive quarters

C) A period of high inflation

D) A period of low unemployment

Answer: B) A period of declining GDP for two consecutive quarters.

31. What is the term for the economic principle that states that as production increases, the cost of producing each additional unit decreases?

A) Diminishing returns

B) Economies of scale

C) Marginal utility

D) Opportunity cost

Answer: B) Economies of scale.

32. Which of the following is a characteristic of a command economy?

A) Private ownership of resources

B) Market-driven prices

C) Centralized planning

D) Minimal government intervention

Answer: C) Centralized planning.

33. What is the primary purpose of a budget deficit?

A) To reduce government spending

B) To stimulate economic growth through increased government spending

C) To balance the national debt

D) To increase taxes

Answer: B) To stimulate economic growth through increased government spending.

34. Which of the following is a potential consequence of a high national debt?

A) Increased government spending

B) Higher interest rates

C) Lower taxes

D) Increased economic growth

Answer: B) Higher interest rates.

35. What is the term for the situation when the economy experiences stagnant growth and high inflation?

A) Recession

B) Stagflation

C) Boom

D) Deflation

Answer: B) Stagflation.

36. Which of the following is a primary function of the World Bank?

A) To regulate international trade

B) To provide financial and technical assistance to developing countries

C) To set global interest rates

D) To manage currency exchange rates

Answer: B) To provide financial and technical assistance to developing countries.

37. What is the term for the difference between a country's exports and imports?

A) Trade surplus

B) Trade deficit

C) Balance of trade

D) Current account

Answer: C) Balance of trade.

38. Which of the following is a reason for government intervention in the economy?

A) To promote competition

B) To correct market failures

C) To provide public goods

D) All of the above

Answer: D) All of the above.

39. What is the primary goal of a central bank's monetary policy?

A) To control inflation and stabilize the currency

B) To increase government revenue

C) To reduce unemployment

D) To promote international trade

Answer: A) To control inflation and stabilize the currency.

40. Which of the following is an example of a contractionary monetary policy?

A) Decreasing interest rates

B) Increasing the money supply

C) Selling government bonds

D) Reducing reserve requirements

Answer: C) Selling government bonds.

41. What is the term for the economic principle that states that as the quantity of a good consumed increases, the additional satisfaction gained from consuming each additional unit decreases?

A) Law of diminishing returns

B) Law of increasing opportunity cost

C) Law of diminishing marginal utility

D) Law of supply

Answer: C) Law of diminishing marginal utility.

42. Which of the following is a characteristic of a recession?

A) Rising GDP

B) Increasing employment

C) Declining consumer spending

D) High inflation

Answer: C) Declining consumer spending.

43. What is the term for the practice of a government spending more than it earns in revenue?

A) Budget surplus

B) Budget deficit

C) National debt

D) Fiscal policy

Answer: B) Budget deficit.

44. Which of the following is a potential effect of a strong currency?

A) Increased exports

B) Decreased imports

C) Cheaper imports

D) Higher inflation

Answer: C) Cheaper imports.

45. What is the term for the economic model that describes the flow of goods and services between households and firms?

A) Circular flow model

B) Supply and demand model

C) Production possibilities frontier

D) Aggregate demand model

Answer: A) Circular flow model.

46. Which of the following is a primary goal of antitrust laws?

A) To promote monopolies

B) To prevent anti-competitive practices

C) To regulate prices

D) To increase government revenue

Answer: B) To prevent anti-competitive practices.

47. What is the term for the economic situation where there is a general decline in prices?

A) Inflation

B) Stagflation

C) Deflation

D) Recession

Answer: C) Deflation.

48. Which of the following is a primary goal of economic policy?

A) To achieve full employment

B) To maintain price stability

C) To promote economic growth

D) All of the above

Answer: D) All of the above.

58. Which of the following is a potential effect of government subsidies on a market?

A) Decreased supply

B) Increased prices

C) Increased production

D) Decreased demand

Answer: C) Increased production.

59. What is the term for the economic measure that reflects the total value of all goods and services produced by a country's residents, regardless of where the production takes place?

A) Gross Domestic Product (GDP)

B) Gross National Product (GNP)

C) Net National Product (NNP)

D) National Income (NI)

Answer: B) Gross National Product (GNP).

50. Which of the following is a potential consequence of a trade deficit?

A) Increased domestic production

B) Decreased foreign investment

C) Depreciation of the national currency

D) Increased employment

Answer: C) Depreciation of the national currency.

51. What is the term for the economic principle that states that as the quantity of a good consumed increases, the additional satisfaction gained from consuming each additional unit decreases?

A) Law of diminishing returns

B) Law of increasing opportunity cost

C) Law of diminishing marginal utility

D) Law of supply

Answer: C) Law of diminishing marginal utility.

52. Which of the following is a characteristic of a recession?
A) Rising GDP
B) Increasing employment
C) Declining consumer spending
D) High inflation
Answer: C) Declining consumer spending.

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A) Budget surplus
B) Budget deficit
C) National debt
D) Fiscal policy
Answer: B) Budget deficit.

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D) Higher inflation
Answer: C) Cheaper imports.

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B) Supply and demand model
C) Production possibilities frontier
D) Aggregate demand model
Answer: A) Circular flow model.

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C) To regulate prices

D) To increase government revenue

Answer: B) To prevent anti-competitive practices.

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A) Inflation

B) Stagflation

C) Deflation

D) Recession

Answer: C) Deflation.

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D) Decreased demand

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C) Net National Product (NNP)

D) National Income (NI)

Answer: B) Gross National Product (GNP).

60. What is the term for the economic situation where the quantity of goods supplied exceeds the quantity demanded?

A) Shortage

B) Surplus

C) Equilibrium

D) Stagnation

Answer: B) Surplus.