GENERAL DIRECTIONS

THIS BOOKLET CONTAINS ECONOMICS EXAMINATION. THE CODE FOR THIS EXAMINATION IS 09 AND THE CODE FOR THIS PARTICULAR BOOKLET IS 45. PLEASE COPY THESE CODES ON YOUR ANSWER SHEET WHERE IT READS BOOKLET CODE AND SUBJECT CODE, AND BLACKEN THE CORRESPONDING BOXES IN THE COLUMNS BELOW EACH NUMBER.

IN THIS EXAMINATION, THERE ARE A TOTAL OF 75 MULTIPLE CHOICE QUESTIONS. CAREFULLY SELECT THE BEST ANSWER AND BLACKEN ONLY THE LETTER OF YOUR CHOICE ON THE SEPARATE ANSWER SHEET PROVIDED. FOLLOW THE INSTRUCTIONS ON THE ANSWER SHEET AND THE EXAMINATION PAPER CAREFULLY. USE ONLY PENCIL TO MARK YOUR ANSWERS. YOUR ANSWER MARK SHOULD BE HEAVY AND DARK, COVERING THE ANSWER SPACE COMPLETELY. PLEASE ERASE ALL UNNECESSARY MARKS COMPLETELY FROM YOUR ANSWER SHEET.

YOU ARE ALLOWED TO WORK ON THE EXAM FOR 2½ HOURS. WHEN TIME IS CALLED, YOU MUST IMMEDIATELY STOP WORKING, PUT YOUR PENCIL DOWN, AND WAIT FOR FURTHER INSTRUCTIONS.

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 (S).

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

DO NOT TURN THIS PAGE OVER UNTIL YOU ARE TOLD TO DO SO.
University Entrance Examination (UEE)  
Economics  
Sene 2004/June 2012

BOOKLET CODE: 45  
SUBJECT CODE: 09  
Number of items: 75  
Time Allowed: 2½ hours

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

1. A household demand curve for butter will NOT shift as a result of change in___________.
   (A) household size  
   (B) the price of butter  
   (C) household income  
   (D) the price of cooking oil

2. A graduate student with an average earning potential of 36,000 birr in public sector jobs decides to join a one-year training program that costs 12,000 birr. What is the opportunity cost of this decision?
   (A) 12,000 Birr  
   (B) 24,000 Birr  
   (C) 36,000 Birr  
   (D) 48,000 Birr

3. Which of the following is a normative statement?
   (A) Growth and inequality are both increasing.  
   (B) Rising inequality under accelerated growth condition is better than equity with poverty.  
   (C) Ethiopia has achieved the highest economic growth rate of all times in the post-1991 period.  
   (D) The gap between the rich and the poor has significantly increased under the current regime as compared to the previous one.
4. If total revenue increases when price increases at a point on a given linear demand curve, which one of the following is **NOT** correct?

(A) Demand is price elastic at this point.
(B) Demand is price inelastic at this point.
(C) Decreasing price will decrease total revenue.
(D) Increasing price results in higher net income to the producer.

5. Which of the following is true about utility?

(A) Successive units of a given commodity give a consumer the same level of utility.
(B) Utility refers to satisfaction, which a consumer gets from consuming goods and services.
(C) The level of utility obtained from consuming a given bundle of goods and services is the same for all consumers.
(D) Total utility obtained by a consumer from consuming a given bundle of goods and services is the same regardless of time of consumption.

6. Which of the following is correct about cardinal and ordinal utility theories?

(A) Both theories are based on the assumption that utility is measurable in absolute terms.
(B) The rationality assumptions on which the two theories are based make different assertions with regard to the two theories.
(C) Both theories are based on the premise that the numerical difference between two levels of satisfaction is needed to study consumer behavior.
(D) Ordinal utility theory is based on the assumption that it is sufficient to rank utilities while the cardinal utility theory is based on the assumption that utility is a measurable concept.
7. Which one of the following is correct about demand?

(A) Desire and demand are used interchangeably in economics.
(B) Quantity demanded refers to a specific quantity the consumer is willing to buy at a specific price.
(C) Quantity demanded refers to the relationship between quantity demanded and its price, other things kept constant.
(D) Demand refers to the specific quantity of a commodity the consumer is willing to buy at a specific price, other things kept constant.

8. Which of the following is a correct statement about different types of returns to scale?

(A) If output doubles when all inputs are tripled, it shows the case of increasing returns to scale.
(B) If output doubles when all inputs are less than doubled, it shows the case of constant returns to scale.
(C) Decreasing returns to scale means output will decrease when all inputs increase by the same proportion.
(D) If output increases by 50% when all inputs are increased by 20%, it shows the case of increasing returns to scale.

9. Which of the following is NOT related to the simplest model of circular flow of income?

(A) Foreign exchange earnings.
(B) Factors of production and wages.
(C) Relationship between firms and households.
(D) Supply of goods and consumer expenditure.
10. Having a ________, which shows the functional relationship between quantity supplied and price, one can insert different levels of prices to get a ________, which states the different quantities of a commodity offered for sale at these different prices and get a ________, showing the same information graphically.

(A) Supply schedule, supply function, supply curve
(B) Supply curve, supply function, supply schedule
(C) Supply function, supply schedule, supply curve
(D) Supply schedule, supply curve, supply function

11. Which one of the following is a **WRONG** statement about the neoclassical production function?

(A) It is a purely physical relationship.
(B) It relates to a given state of technology.
(C) It satisfies the law of diminishing returns.
(D) The maximum output is obtained at a point of maximum marginal physical product.

12. The least cost rule of producing each level of output in the long run states that

\[ \frac{MP_L}{P_L} = \frac{MP_K}{P_K} \]

Where MP_L and MP_K are marginal products of labour and capital, respectively; and P_L and P_K are the unit prices of labour and capital inputs, respectively. If a particular producer observes that \( \frac{MP_L}{P_L} > \frac{MP_K}{P_K} \), he/she should ______, in order to minimize cost.

(A) reduce both labour and capital inputs
(B) increase both labour and capital inputs
(C) reduce labour input and increase capital input
(D) increase labour input and reduce capital input
13. The supply curve of a firm will shift upwards and to the left, \textit{ceteris paribus}, if \underline{ }.
(A) total costs decrease
(B) input prices increase
(C) output price decreases
(D) marginal costs decrease

14. Which of the following statements is \textbf{NOT} true about price elasticity?

(A) Demand for necessities is less elastic than demand for luxury goods.
(B) A commodity with lower proportion of expenditure has lower elasticity.
(C) Having many close substitutes makes the demand for a commodity likely to be elastic.
(D) Price elasticity of demand tends to be more elastic in the short run than in the long run.

15. Which of the following is a distinctive feature of monopolistic competition?

(A) Product differentiation.
(B) Profit-maximization rule.
(C) Freedom of entry and exist.
(D) Number of sellers and buyers.

16. The least-cost rule for a firm's choice of inputs is that it should \underline{ }.

(A) combine inputs that have high marginal rate of substitution
(B) produce output until unit costs of each input purchased is equalized
(C) combine low-cost inputs of high marginal rate of substitution
(D) buy inputs until the marginal product per unit price of each input is equalized
17. One of the following is true about a shift in demand curve?
   (A) A shift in demand curve implies the same demand schedule.
   (B) A shift in demand curve shows movement along a given demand curve.
   (C) A rightward shift in demand curve results in higher quantity demanded at a given price per time period.
   (D) A leftward shift in demand curve can result in higher quantity demanded at a given price per time period.

18. Which of the following is true about short-run average and marginal costs?
   (A) Average fixed cost is constant since fixed cost does not vary with output.
   (B) Both average total cost and average variable cost fall as long as marginal cost lies above them.
   (C) Average total cost, average variable cost and marginal cost curves are all U-shaped because of different reasons.
   (D) The vertical distance between average total cost curve and average variable cost curve equals average fixed cost.

19. Which one of the following is a major cause of shifts in the aggregate agricultural production function?
   (A) Total population growth.
   (B) Rural population growth.
   (C) Continuous use of unskilled labor.
   (D) Widespread adoption of new high-yielding crop varieties.

20. If food grains are generally price inelastic, what is the likely effect of a season's bumper harvest that significantly reduces farm prices?
   (A) Increased total revenue.
   (B) Increased total income.
   (C) Decreased total revenue.
   (D) Increased total expenditure.
21. Which one of the following is **NOT** a method of GDP estimation?

- (A) The income method
- (B) The product method
- (C) The expenditure method
- (D) The net present value (NPV) method

22. Which of the following is **NOT** a primary duty of the National Bank of Ethiopia?

- (A) Regulation of the activities of the financial sector.
- (B) Profit maximization through financial transactions.
- (C) The determination of optimal rate of growth of money stock.
- (D) Setting minimum reserve requirements on commercial bank deposits.

23. Which of the following is a true statement?

- (A) Net saving can be negative.
- (B) What a household is not spending is consumed.
- (C) Saving is a decreasing function of national income.
- (D) Disposable income is the difference between saving and consumption.

24. The economic cost of unemployment is ____________.

- (A) increasing suicide rate
- (B) high competition for limited jobs
- (C) dependence on families and friends
- (D) loss of output and lower welfare levels caused by resource underutilization
25. Individuals are not willing to provide public goods such as streetlights because 

(A) they do not consume them 
(B) everybody can consume public goods without paying the providers because public goods are non-excludable 
(C) they are not allowed to provide them because provision of public goods should only be accomplished by governments 
(D) their value to the society as a whole is smaller than the costs of providing the goods that individuals are not interested in providing them

26. The missing element in the aggregate identity 
y = consumption + Investment + Net exports is 

(A) national debt 
(B) government spending 
(C) household saving 
(D) government debt

27. Which of the following is true about modern utility theory? 

(A) Utility is measureable. 
(B) It accepts ordinal ranking of preference. 
(C) The total utility curve can never decline. 
(D) Marginal utility is directly proportional to the amount of goods consumed.

28. Which of the following is correct about the impact of high population growth rate on economic growth? 

(A) Larger population results in lower GDP 
(B) Larger population means higher number of old-age persons who cannot work 
(C) Faster growth of population will decrease GDP per capita making economic growth unsustainable. 
(D) High population growth rate affects the sex composition of population which reduces labour force and this in turn constrains economic growth
29. Which of the following statements is true about the relationship between a firm’s output and its total cost of operation?

(A) The relationship cannot be established.
(B) Total costs continue to increase with increasing levels of output.
(C) Total costs initially rise rapidly but soon start to decline at a higher level of output.
(D) Total costs slowly rise, reach maximum and then decline at a higher level of output.

30. Which one of the following is NOT a key determinant of economic growth?

(A) Investment.
(B) Consumption.
(C) Technology.
(D) Human resource.

31. A consumer consumes two goods, x and y, with their respective prices, px and py. If income of the consumer increases, other things remaining constant, and assuming that the properties of indifference curves hold, one can conclude that

(A) The utility of the consumer will increase.
(B) It is not possible to determine the direction of change in utility.
(C) Both utility and the consumption of the two goods will increase.
(D) Utility will increase but consumption of the two goods will decrease.

32. Exchange rate determination is purely a task of the forces of supply and demand in

(A) managed float systems
(B) adjustable peg systems
(C) fixed exchange rate regimes
(D) flexible exchange rate regimes
33. The problem associated with informal sector in measuring GDP is

(A) the sector is engaged in illegal activities that are outlawed
(B) their economic activities are insignificant to be considered in estimating GDP
(C) lack of proper accounts for their economic activities makes it difficult to get data to estimate their contribution to GDP
(D) they particularly produce for self-consumption that it is difficult to estimate the quantities and values of their production.

34. Which of the following is NOT correct about the industrial sector of Ethiopia?

(A) As of 2007/08, the share of the private sector in the manufacturing sub-sector is 91.5%.
(B) Food and beverage, textile and non-metallic minerals dominate the manufacturing sub-sector.
(C) The concentration of manufacturing sub-sector in certain areas is desirable because it improves administrative efficiency.
(D) Large and medium-scale manufacturing enterprises were dominated by public ownership during the Imperial period and the Derg regime.
35. Which of the following is NOT correct about the farming systems practiced in Ethiopia?

(A) The smallholder farming system is characterized by mixed farming, where livestock production is integrated with crop production.
(B) The commercial farming system has been the most efficient since it applies modern production technologies and inputs.
(C) The pastoral farming system is practiced in the lowlands of the country where people mainly depend on livestock production.
(D) The three farming systems have different levels of contributions to the agricultural GDP, with the smallholder farming system being the main contributor.

36. Which one of the following investments does NOT affect economic growth directly?

(A) Building of new factories.
(B) Investment in infrastructure.
(C) Investment in new machinery and equipment.
(D) Provision of education, training and public health.

37. Which of the following is NOT correct for a firm operating in a perfectly competitive market?

(A) Marginal revenue (MR) = P since the firm cannot affect market price by increasing output
(B) Total revenue (TR) curve is upward sloping and straight line since the firm can sell any quantity at a given market price
(C) Average Revenue = price (P) since the firm can sell all outputs at the same price no matter how large or small the quantity sold
(D) The horizontal demand curve (price line) for the firm’s product indicates that the firm will sell nothing if it reduces price
38. The upward sloping aggregate supply and downward sloping aggregate demand curves mean that:

(A) inward shift in supply reduces equilibrium price
(B) increase in both demand and supply reduces equilibrium level of output
(C) outward shift in demand curve increases equilibrium level of output while an inward shift decreases it
(D) outward shift in supply curve reduces equilibrium level of output while an inward shift increases it

39. The Statement: “Higher income inequality leads to lower aggregate consumption for the same level of aggregate income” implies all of the following **EXCEPT** ________.

(A) consumption increases less than proportionately as consumer’s income increases
(B) an increase in aggregate income leads to reduced aggregate consumption
(C) richer consumers consume smaller proportion of their income than poorer consumers
(D) income redistribution through taxing richer consumers and subsidizing poorer consumers will increase consumption per unit of income

40. The combined manifestation of cost-push and demand-pull inflation in an economy can be expressed in terms of ________.

(A) Periodic shifts of both aggregate demand and supply curves to the left
(B) constant shifts of both aggregate demand and supply curves to the right
(C) a shift of aggregate supply curve to the right and aggregate demand curve to the left
(D) constant shifts of aggregate supply curve to the left and aggregate demand curve to the right
41. One of the following is **NOT** among the possible impacts of HIV/AIDS in Ethiopia and other African countries:

   (A) Reduction in labour supply and GDP.
   (B) Reduction in tax revenue to government.
   (C) Reduction in labour input required to produce a unit of output.
   (D) Reduction in foreign investment and foreign exchange earnings.

42. Which of the following is **NOT** true about the strategic directions of Ethiopia’s national policy on the health sector?

   (A) Assurance of equitable access.
   (B) Decentralization of the health care system.
   (C) International and inter-sectoral cooperation.
   (D) More focus on treatment component of health care.

43. The most important determinants of high population growth rates in Ethiopia are ____________.

   (A) high dependency ratios
   (B) high fertility and high death rates
   (C) high death rates and low fertility rate
   (D) high fertility rate and declining death rates

44. A fast growing recent adoption of technical innovations in the service sector in Ethiopia has occurred in ____________.

   (A) postal services  (C) telecommunications
   (B) road transport  (D) marine transportation
41. One of the following is **NOT** among the possible impacts of HIV/AIDS in Ethiopia and other African countries

(A) Reduction in labour supply and GDP.
(B) Reduction in tax revenue to government.
(C) Reduction in labour input required to produce a unit of output.
(D) Reduction in foreign investment and foreign exchange earnings.

42. Which of the following is **NOT** true about the strategic directions of Ethiopia’s national policy on the health sector?

(A) Assurance of equitable access.
(B) Decentralization of the health care system.
(C) International and inter-sectoral cooperation.
(D) More focus on treatment component of health care.

43. The most important determinants of high population growth rates in Ethiopia are ________.

(A) high dependency ratios
(B) high fertility and high death rates
(C) high death rates and low fertility rate
(D) high fertility rate and declining death rates

44. A fast growing recent adoption of technical innovations in the service sector in Ethiopia has occurred in ________.

(A) postal services
(B) road transport
(C) telecommunications
(D) marine transportation
45. One of the major changes that took place in the financial sector in Ethiopia by the Derg regime was _________.

(A) establishment of private banks  
(B) establishment of micro-finance institutions  
(C) nationalization of all private financial institutions  
(D) reorganization of financial institutions to work in a market-oriented policy framework

46. Which of the following is NOT true about the investment policy of Ethiopia during the post-1991 period?

(A) Private investors can invest in any investment area.  
(B) The policy is generally conducive for private investors.  
(C) Capital requirements are different for local and foreign investors.  
(D) Private investors are entitled to exemptions from export and import duties and benefits related to income tax.

47. The authority to mint coins and issue currency notes in Ethiopia is vested in the

(A) Ministry of Finance.  
(B) National Bank of Ethiopia.  
(C) Office of the Prime Minister.  
(D) Commercial Bank of Ethiopia.

48. The Ethiopian economy is predominantly _____________.

(A) agrarian  
(B) industrial  
(C) small informal sector  
(D) vibrant financial sector
49. One of the following is NOT among the measures taken by the FDRE to promote industrialization.

   (A) Privatisation of public industrial enterprises.
   (B) Removal of maximum limit on the capital of private investors.
   (C) Public development and management of medium and large-scale industries.
   (D) Granting of managerial autonomy and responsibility to public strategic industrial enterprises.

50. Agriculture and related activities are the most recurrent and emphasized in the National Development Plans of all the last three regimes of Ethiopia, including FDRE. The most likely reason for this attention in the Ethiopian context is that

   (A) agriculture is the most backward sector.
   (B) it is difficult to do much in other sectors.
   (C) other sectors are performing relatively well.
   (D) agriculture is the most important sector in Ethiopia for achieving the national development goals.

51. Which of the following was NOT an element of Ethiopia’s structural adjustment program in the 1990s?

   (A) Currency devaluation.
   (B) Privatization of rural lands.
   (C) Liberalization of foreign trade.
   (D) Removal of domestic price controls

52. Which of the following is NOT among the measures taken by the EPRDF government to reduce fiscal deficit?

   (A) Money printing.
   (B) Limiting import tax exemptions.
   (C) Introduction of rental income tax.
   (D) Introduction of value added tax (VAT).
53. The rationale behind the adoption of Agricultural Development-Led Industrialization (ADLI) by the EPRDF is based on the assumption that

(A) industrial development does not bring economic development.
(B) the industrial sector provides agriculture with raw materials.
(C) the industrial sector has the highest potential to adopt technology and to create forward and backward linkages with other sectors.
(D) the agricultural sector development assists industrial development by creating backward and forward linkages with the industrial sector and serving as a source of capital.

54. One of the following is NOT true about international trade.

(A) International trade increases total consumption in the trading nations.
(B) International trade restrictions generally reduce the gains from trade.
(C) The gains from international trade are equally distributed between the trading nations.
(D) International trade encourages diffusion of knowledge and culture between the trading nations.

55. Which of the following is NOT currently a serious and top environmental concern in Ethiopia?

(A) Air pollution.
(B) Land degradation and soil erosion.
(C) Sanitation and environment health.
(D) Deforestation and loss of biodiversity.
56. Which of the following is **NOT** included in the 1993 institutional policy reform?
   
   (A) Fiscal reform.  
   (B) Trade liberalization.  
   (C) Control of money supply.  
   (D) Privatization of public enterprises.

57. Which of the following is the largest contributor of federal government revenue in Ethiopia?
   
   (A) Foreign trade taxes.  
   (B) Agricultural income tax.  
   (C) Domestic indirect taxes.  
   (D) Corporate profit taxes.

58. A key structural bottleneck for the development of the formal financial sector in Ethiopia is that ________.
   
   (A) only a few private commercial banks exist  
   (B) a good part of the economy is not monetized  
   (C) government owned commercial banks are less profitable  
   (D) the government has failed to liberalize it for entry of foreign competitive firms

59. According to 2006 estimates, agriculture contributes about 45% to GDP; generates more than 80% of total export earnings; and employs about 85% of the population. These data imply all of the following **EXCEPT** ________.
   
   (A) labour productivity is lower in agriculture compared to other sectors  
   (B) personal earnings in agriculture is higher than the average for other sectors  
   (C) the proportion of agricultural commodities is the largest in the value of total exports  
   (D) labour productivity for the rest of the sectors on average is higher than for agriculture
60. Which of the following is NOT a pillar objective in Ethiopia’s medium term development plans of the post-Derg period?

(A) Food security.
(B) Regional equity.
(C) Accelerated growth.
(D) Energy independence.

61. Which of the following statements is true about Ethiopia’s balance of payments?

(A) It records the international-domestic trade balance.
(B) Flower export is the prime mover of balance of trade surplus.
(C) It is characterized by chronic balance of payment surplus which affects the value of domestic currency.
(D) The surplus in capital account is largely a result of Ethiopia’s dependence on foreign aid and direct investment inflows.

62. _________ to finance fiscal deficit can result in higher costs of credit, discouraging investment, while _________ to finance fiscal deficit is highly inflationary.

(A) External borrowing, money printing.
(B) Money printing, domestic borrowing.
(C) Domestic borrowing, money printing.
(D) External borrowing, domestic borrowing.
63. If a change in the value of domestic currency in terms of foreign currency leads to favorable balance of payments, the best possible explanation is that there has been

(A) a decrease in imports due to domestic currency devaluation
(B) an increase in both imports and exports due to domestic currency revaluation
(C) a decrease in exports and an increase in imports due to domestic currency revaluation
(D) an increase in payments of foreign currency due to domestic currency revaluation

64. One of the following does NOT represent the difference between the National Bank of Ethiopia and commercial banks

(A) The National Bank has more duties and responsibilities than the commercial banks.
(B) The National Bank acts as the banker of the government while the commercial banks encourage saving money by households.
(C) The National Bank advances only long-term loans to households and firms while the commercial banks advance short-term loans.
(D) The National Bank reduces the level of unemployment and maintains low level of inflation while the commercial banks accelerate the process of monetization in the economy.

65. Depletion in foreign exchange reserve CANNOT be caused by

(A) positive net transfers
(B) negative net transfers
(C) lower receipt of foreign exchange than payments
(D) lower value of exports than the value of imports
66. Which of the following statements is true about the structure of the Ethiopian economy in the post-Derg period?

   (A) The share of service sector has remained the same.
   (B) The share of agriculture in GDP has slightly increased.
   (C) The share of the industrial sector has relatively stagnated.
   (D) Industrial growth performance has frequently surpassed service sector performance.

67. Which of the following statements is true?

   (A) The Imperial regime admitted ownership of domestic trading activities by foreign nationals.
   (B) The food grain marketing policy of the Derg regime largely benefited small rural producers.
   (C) Despite the overall restrictions, Ethiopia’s domestic food grain marketing system was rather more liberalized under the Derg regime than under the Imperial system.
   (D) The Derg system used domestic trade licensing as a tool for restrictions while the liberal policy of the current regime has made the concept of licensing wholly unnecessary.

68. Which one of the following is correct about fiscal policy?

   (A) Price controls can be used as instruments of fiscal policy to reduce fluctuations in prices.
   (B) The allocation of resources is an instrument of fiscal policy to bring about economic growth.
   (C) Distribution of income is one of the instruments used by fiscal policy to deal with fluctuations in output.
   (D) Fiscal policy uses taxes and expenditure as instruments to allocate them into production of public and private goods.
69. Which of the following does NOT constitute an element of inter-sectoral linkages between Ethiopian agriculture and the industrial sector?
(A) Transfer of skilled labor.
(B) Transfer of capital from agriculture.
(C) Market for industrial consumer goods.
(D) Demand for implements and other inputs.

70. Which of the following is NOT a reason for international trade?
(A) Some countries cannot produce some goods although they need them and hence have to import them.
(B) Differences in costs of production related to differences in availability of natural resource and other production inputs.
(C) Specializing in production of goods for export brings higher profit than producing for consumption since it brings foreign currency.
(D) Differences in demand in different countries lead to differences in product prices and high-price countries import these goods from low-price countries.

Items 71 to 75 are to be attempted by sighted candidates only

71. Consider the market demand and supply equations \( Qd = 21 - 3P \) and \( Qs = -3 + 5P \), respectively. Which of the following is the correct pair of market clearing equilibrium values?
(A) (1,5)  
(B) (4,6)
(C) (2,5)  
(D) (3,12)

72. What is the price responsiveness of maize demand in a lowland market where a rise in price from 500 Birr per quintal to 900 Birr per quintal is followed by a drop in quantity demanded from 240 thousand quintals to 200 thousand quintals?
(A) Unit-elastic demand.  
(B) Rice elastic demand.  
(C) Price inelastic demand.  
(D) Infinitely elastic demand.
73. We have the following information about consumer price indexes over three years for a given economy:

Year 2005 (base year): 100
Year 2006: 160
Year 2007: 180.

What are the inflation rates in 2006 from 2005 and in 2007 from 2006, respectively?

(A) 60%, 12.5%  (C) 60%, 80%
(B) 37.5%, 11.1%  (D) 40%, 35%

74. A perfectly competitive firm has a short-run total cost curve given by

\[ C(Q) = \frac{1}{3}Q^3 - 5Q^2 + 41Q + 100, \]

Where \( C \) is total cost and \( Q \) is the level of output. If the market price is Birr 80 per unit, what are the profit maximizing level of output and the corresponding level of maximum profit, respectively?

(A) 10 units, Birr 419.67  (C) 7 units, Birr 605
(B) 13 units, Birr 519.67  (D) 15 units, Birr 500

75. A firm's production function is given by \( Q = Q(K, L) \), where \( Q \) is output, \( K \) and \( L \) are capital and labor inputs, respectively. Given \( m \) as a positive constant (where \( m > 1 \)), then equation \( Q = Q(mK, mL) = mQ(K, L) \) shows a condition of

(A) increasing returns to scale  (C) decreasing returns to scale
(B) constant returns to scale  (D) diseconomies of scale
Items 76 to 80 are to be attempted by visually impaired candidates only

76. Peak-load pricing is a form of __________.
   (A) time differentiation   (C) average cost pricing
   (B) product differentiation (D) price discrimination

77. Which of the following best describes how import quota affects imports?
   (A) It reduces the volume of imports through increased prices of imported goods.
   (B) It reduces the value of imports because it sets limits on the value of imports.
   (C) It reduces the quantity of imports because domestically produced goods will be cheaper.
   (D) It reduces the quantity of imports because it sets the maximum limit on the quantity of imports.

78. Which of the following is NOT true about globalization and trade integration?
   (A) Removal of trade barriers.
   (B) Improved terms of trade.
   (C) Increased volume of exports and imports.
   (D) Reduced importance of comparative advantage.
79. One of the following is the best description of the relationship between market supply and individual supply

(A) Market supply curve has the same slope as individual supply curve but shows higher quantities for the same prices.

(B) At a given price, market supply is obtained by multiplying individual firm's quantity by the number of suppliers in the market.

(C) The quantity supplied in the market at a given price is obtained by adding different quantities supplied by different firms at that price.

(D) Given quantities supplied by a market (Qₘ) and an individual firm (qᵢ) at a given price, the number of firms in the market can be obtained by multiplying Qₘ by qᵢ.

80. Which of the following is NOT correct about isoquants?

(A) The convexity, to the origin, of isoquants implies the two goods are imperfect substitutes.

(B) The downward slopping nature of isoquants implies substitutability between the two goods.

(C) The long-run analysis of isoquants implies that the production process uses only two inputs.

(D) The concept of isoquants implies that if the firm is in the short run, then there are two variable inputs and fixed input(s).