

1. In which one of the following market structures individual firms do NOT have power to decide the price of the goods they produce?
 - A. Competitive
 - B. Monopoly
 - C. Monopolistic
 - D. Oligopoly
2. In which one of the following market structures does a producer face the entire demand curve?
 - A. Pure competition
 - B. Monopolistic
 - C. Oligopoly
 - D. Pure monopoly
3. Which of the following is applicable only to perfectly competitive firms?
 - A. Marginal product is equal to marginal cost.
 - B. Marginal revenue is equal to price.
 - C. Average product is average revenue.
 - D. Marginal revenue is equal to marginal product.
4. Which one of the following best describes the relationship between total quantity of production and the fixed cost of production? As total production increases fixed costs per unit
 - A. remain indeterminate.
 - B. remain constant.
 - C. decline.
 - D. increase.
5. Which one of the following is the effect of increasing price on total revenue when the demand is price inelastic? Total revenue
 - A. is indeterminate.
 - B. remains constant.
 - C. increases.
 - D. declines.
6. Which one of the following statements about utility is correct?
 - A. Marginal utility can take negative value.
 - B. Total utility can be negative.
 - C. Average utility often takes negative value.
 - D. The product of average and total utilities is negative.
7. Which one of the following best describes the causes of cost-push inflation?
 - A. Declining income of consumers.
 - B. Rising income of consumers.
 - C. Declining cost of inputs.
 - D. Rising input prices.
8. Which one of the following is the best description of production in the long run? As inputs increase
 - A. Total products of both labor and capital decline.
 - B. Total product of capital is declining while total product of labor is rising.

- C. Marginal products of both labor and capital shift.
 - D. Marginal' product of labor shifts down while marginal product of capital shifts up.
9. If the total cost of production of a monopoly firm is 100 units while the cost to society is 120 units. Which of the following is the correct external cost of production?
 - A. 20 units
 - B. 110 units
 - C. 10 units
 - D. 220 units
 10. Which one of the following best describes the characteristic of a pure monopoly firm?
 - A. The marginal cost curve is the supply curve of the firm.
 - B. The price curve is greater than the marginal revenue curve,
 - C. The profit maximizing quantity is greater than that of a competitive market.
 - D. The profit maximizing price is equal to the marginal revenue.
 11. Which one of the following causes of inflation is NOT related to growth of money supply?
 - A. Supply shock that reduces output.
 - B. Fast expansion of credit.
 - C. Increased use of deficit financing.
 - D. Increased government expenditure.
 12. Which one of the following types of government budget are used to stop an ongoing rise of unemployment and the decline of prices and outputs?
 - A. Deficit budget
 - B. Surplus budget
 - C. Balanced budget
 - D. Revenue budget
 13. Which one of the following best describes an oligopoly market structure?
 - A. Each firm is small and there is no element of interdependence in the decision making.
 - B. Each firm is large and there is interdependence in the decision making.
 - C. There are many small firms and there is no element of interdependence in the decision making.
 - D. Firms are small and big where there is element of technological interdependence between small and big an element of ones.
 14. Assume that a country produces only bread and machines. Which one of the following is true if resources are equally usable to the production of bread and machines?
 - A. Concave production possibility frontier.
 - B. The production possibilities frontier of the country will be upward
 - C. The slope of the production possibilities frontier is constant sloping.

- D. The slope of the production possibilities frontier changes as we move along the production possibilities curve.
15. The following information was obtained from a firm operating under perfectly competitive market. When total product was 100 kilograms, the total revenue was Birr 240. However, when total product was increased to 120 kilograms, the total revenue increased to 280 Birr, what is the marginal revenue in Birr?
- 2
 - 1
 - 20
 - 40
16. Given the production function $Q = L^2$, what is the average product of labor for $L = 2$, and the marginal product of labor between $L = 1$ and $L = 2$?
- The average product of labor is
- 2 and the marginal product of labor is 2,
 - 2 and the marginal product of labor is 3.
 - 1 and the marginal product of labor is 3.
 - 3 and the marginal product of labor is 2.
17. Suppose initially the total labor employed by a firm was 10 person-hours and gradually increased to 12 person-hours keeping all other input factors constant. The hourly wage rate is 10 Birr. What is the change in the total variable costs?
- 20 Birr
 - 2 Birr
 - 100 Birr
 - 120 Birr
18. Suppose a perfectly competitive firm has an output = 2000 units, market price = 2 Bir, fixed costs = 2000 Birr, total variable costs = 1000 Birr, marginal cost = 2.20 Birr. Which of the following is TRUE about this firm?
- The firm is making a zero-economic profit.
 - The firm is producing the output where $AVC = MC$.
 - The firm is making a positive economic profit.
 - The firm is losing money, although it could make a profit by decreasing its output.
19. In the theory of production, which one of the following is true? When total product
- decreases at an increasing rate, then marginal product increases.
 - begins to decline, marginal product becomes negative.
 - decreases at a diminishing rate, then average product increases.
 - reaches a maximum, average product becomes zero.
20. Which of the following is usually a characteristic of a perfectly competitive industry?
- Existing firms can bar the entry of new firms.
 - An individual firm can have significant amount of market power.
 - The market supply curve is elastic and sloping upwards.

- D. Any individual firm can increase its production and sales, affecting the price of the good.
21. The law of diminishing returns implies that, with the use of capital fixed, as the use of labor rises:
- A. the marginal product of labor will fall eventually.
 - B. total product will fall eventually.
 - C. the total product of labor will fall below the marginal product of labor.
 - D. the production process will become technologically inefficient eventually.
22. Which one of the following statements is true about demand-pull inflation?
- A. Demand-pull inflation is normally initiated by a leftward shift in the aggregate demand curve.
 - B. Demand-pull inflation is normally initiated by a leftward shift in the aggregate supply curve.
 - C. Demand-pull inflation is normally initiated without a shift in either the aggregate demand or aggregate supply curve.
 - D. Demand-pull inflation is normally initiated by a rightward shift in the aggregate demand curve
23. In the theory of production, what do short-run and long-run refer to, respectively?
- A. Short-run refers to the period of time during which all factors of production are variable, while long-run refers to the period of time during which all factors of production are fixed.
 - B. Short-run refers to the time it takes between production and distribution, while long-run refers to the time it takes between exchange and consumption.
 - C. Short-run refers to the time it takes between production and consumption, while long-run refers to the time it takes between distribution and exchange.
 - D. Short-run refers to the period of time during which at least one factor of production is fixed, while long-run refers to the period of time during which all factors of production are variable.
24. Which of the following is true about a change in technology that shifts the firm's total product curve upward without changing the quantity of capital used? The change in technology
- A. does not change the cost curves.
 - B. shifts the marginal cost curve upward.
 - C. shifts the average total cost curve downward,

- D. shifts the average total cost curve upward.
25. Which one of the following is true about the short-run supply curve in perfect competition?
- A. The short-run supply curve for a constant - cost industry is horizontal
 - B. The long - run supply curve for decreasing sloping-cost industry is upward sloping
 - C. The long - run supply curve for a increasing sloping- cost industry is downward sloping
 - D. The short - run supply curve for a constant - cost industry is vertical.
26. Which one of the following is an important difference between the characteristics of perfectly competitive and monopolistically competitive markets?
- (A) Firms in monopolistically competitive industries sell similar but not identical products.
 - (B) Firms in monopolistically competitive has horizontal demand curve.
 - (C) Firms in monopolistically competitive industry do not try to maximize profits by production a quantity that equals MR to MC.
 - (D) Firms in monopolistically competitive industry have sustainable barriers to the entry of competitive firms while perfectly competitive firms do not.
27. Which one of the following best describes the nature of product the supply price of which is always greater than the price for the demanded quantity?
- A. The product is affordable to buyers and highly viable.
 - B. Producers produce the product at low cost while consumers are unwilling to buy.
 - C. The production of that product is not viable.
 - D. Buyers are willing to buy it while producers are unwilling to sell.
28. Which one of the following best describes any of the relationships between total product (Q), marginal product (MP), average product (AP), average cost (AC) and marginal cost (MC)?
- A. MC continues decreasing as AC increases.
 - B. AC keeps on decreasing as Q decreases.
 - C. MP keeps on declining after AP equals MP.
 - D. MC remains less than AC after AC has reached its minimum.
29. The firm's short-run marginal-cost curve is increasing when
- A. total fixed cost is increasing.
 - B. marginal product is increasing.
 - C. marginal product is decreasing.
 - D. average fixe cost is decreasing
30. If a more efficient technology was discovered by a firm, there would be:
- A. a downward shift in the marginal cost curve.
 - B. an upward, shift in the average fixed cost curve.
 - C. a downward shift in the average fixed cost curve.
 - D. an upward shift in the average variable cost curve.

31. If total product is at a maximum, fixed cost curve.
- A. Average product must equal marginal product.
 - B. Marginal product must be falling and be equal to zero.
 - C. Marginal product must be greater than zero and must be falling.
 - D. Average product must be rising and must lie above marginal product.
32. under which of the following sets of circumstance is definitely the case that the average product increase as more labor is hired?
- A. Total product increases as more labor is hired.
 - B. The margin product is equals to the average production.
 - C. The margin production is the less the average production.
 - D. The marginal production is greater than the average production.
33. Rising short-run average variable costs of production for a firm indicates that its
- A. average fixed cost is constant.
 - B. average total cost is at a maximum.
 - C. average variable cost is below marginal costs.
 - D. average variable costs are below average fixed costs.
34. The law of diminishing returns states that:
- A. in the short run, the average total costs of the firm will eventually diminish.
 - B. in the long run, the average total costs of the firm will eventually diminish.
 - C. as a firm uses more of a variable resource, given the quantity of fixed resources, the average product of the firm will increase.
 - D. as a firm uses more of a variable resource, given the quantity of fixed resources, marginal product of the firm will eventually decrease.
35. Which of the following distinguishes demand-pull inflation from cost-push inflation?
- A. Demand-pull inflation is persistent, while cost-push inflation is temporary.
 - B. Demand-pull inflation is temporary, while cost-push inflation is persistent.
 - C. Demand-pull inflation arises due to excess demand for goods and services, while cost-push inflation arises due to the rise in the costs of production.
 - D. Demand-pull inflation arises due to excess demand for goods and services, while cost-push inflation arises due to excess supply of goods and services.
36. Which of the following is true about disguised unemployment?
- A. It is a situation where workers become jobless due to loss of demand in region or industries.
 - B. It is a situation where more workers are engaged in a type of work than that which is actually required to do the job.

- C. It is a situation in which associated with the period of recession or depression in trade or business cycles
 - D. It is a situation in which workers are thrown out of work in one location and are unwilling or unable to move to a similar work in another area
- 37. When inflation increases and becomes more volatile, resulting in greater uncertainty, which of the following is most likely to occur?
 - A. Investment by firms is likely to increase.
 - B. Consumption by households is likely to increase,
 - C. International competitiveness is likely to improve.
 - D. The price system becomes less efficient as a coordinating mechanism
- 38. A market structure where there exists only a single seller of a product, who is the only producer of the product, and that product has no close substitutes is known as
 - A. Monopoly
 - B. Monopsony
 - C. Duopoly
 - D. Oligopoly
- 39. Which one of the following is NOT true about the relationship between total production marginal production?
 - A. When total product reaches a maximum, marginal product becomes positive.
 - B. When total product increases at an increasing rate, marginal product increases.
 - C. When total product increases at a diminishing rate, marginal product decreases.
 - D. When total product begins to decline, marginal product becomes negative.
- 40. In economics, production is defined as the _____
 - A. Creation of resource
 - B. Saving of resource
 - C. Transformation of resources
 - D. Consumption of resources
- 41. Which of the following is a correct assumption of the perfectly competitive market model?
 - A. Very few numbers of buyers but large number of sellers
 - B. Very large number of buyers but little number of sellers
 - C. Very few numbers of buyers and sellers
 - D. Very large number of buyers and sellers
- 42. A firm increase a number of its workers from 3 to 5 workers the total product increase from 30 to 46 Kgs. The marginal product of labor is
 - A) 23Kgs
 - B) 16Kgs
 - C) 15KgS

D) 8Kgs

Give a short answer

43. How many sellers are there in a monopoly?
44. What do you call a market in which both monopoly and competition exists?
45. Under what type of market do selling costs play an important role?
46. What is the shape of the AR and MR curves under perfect competition market?
47. What is the shape of the AR and MR curves under monopoly?
48. What is the difference between the relationship between AR and MR under perfect competition and monopoly?
49. If firms are earning abnormal profits, how will the number of firms in the industry change?
50. Mention two fundamental concerns of macroeconomics.
51. Mention any three objectives of a macroeconomic policy.
52. With what types of problems is macroeconomics is concerned?
53. List the names given to four phases of a business cycle.
54. List two causes of recession.
55. Name three types of unemployment.
56. What is disguised unemployment?
57. Name two sectors of an economy where seasonal unemployment is common.
58. Mention two adverse effects of unemployment.
59. Is inflation necessary for economic growth?
60. List two favorable effects of inflation.
61. List two adverse effects of inflation.
62. What are the three components of tax revenue?
63. Give two examples of direct taxes.
64. Give two examples of recurrent expenditure of a government.