EXAM READY ECONOMICS

Exam Ready Economics

GRADE 9

Study Guide, Worked Examples and Practice Tests for the Grade 9 Examination



✓ 8 units with clear key ideas, worked examples and “Watch out!” boxes
✓ 160 worked examples and 256+ practice questions at three levels
✓ 160 unit-quiz questions and 3 full mock exams (60 MCQ each)
✓ Diagnostic test · Key Facts Sheet · Top 20 Mistakes · teacher notes

Follows the units and order of the Ethiopian Grade 9 Economics textbook

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Grade 9 · Study Guide, Worked Examples and Practice Tests

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This is an independent study guide. It follows the units and order of the Ethiopian Grade 9 Economics student textbook, but it is not published or endorsed by the Ministry of Education. All explanations, examples and questions are original. Keep your textbook and your teacher's notes beside this book.

The answers were calculated and checked before printing, but no book is free of errors. If you find a mistake or disagree with an answer, please tell the author on Telegram (@Ermias_Wedaje) and it will be reviewed for the next edition.

How to Use This Book

Each unit follows the same pattern, so you always know where to look.

Key ideas
The rules and facts of the section, short and clear.

Worked examples
Step-by-step solutions. Cover the solution and try first.

⚠ Watch out!
The mistakes students make most often, and the right way.

Practice
Level 1 Basic · Level 2 Standard · Level 3 Challenge.

Unit quiz
20 multiple-choice questions in the style of the national examination.

For the Teacher
Timing, starters, misconceptions, activities and assessment.

For students

- Begin with the Diagnostic Test. It shows which units need the most work.
- Read the key ideas, then study each example with the solution covered.
- Do Level 1 and Level 2 practice for every section; try Level 3 when you are ready.
- Take each quiz in 30 minutes, mark it, and redo every question you got wrong.
- In the last weeks, learn the Key Facts Sheet and the Top 20 Mistakes page, and sit the three mock exams. Their answer keys show which unit each question comes from.

For teachers

- Each unit follows the textbook sections, so the book can sit beside your lessons.
- The “For the Teacher” page gives timing, starters, misconceptions and activities.
- The quizzes and mock exams can be used as class tests; every answer has a short reason.

For parents

- Ask your child to explain one worked example to you each day. Teaching is the best way to learn.
- Look at the quiz score after each unit, and celebrate progress, not only high marks.

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Diagnostic Test · Where Should I Start?

16 questions · 15 minutes. Take this test before you start the book. There are two questions on each unit. Your score only shows you where to spend your time.

1. Economics is a
   A. branch of art
   B. social science
   C. branch of sport
   D. natural science

2. Because of scarcity people must
   A. ignore wants
   B. avoid trade
   C. stop working
   D. make choices

3. Opportunity cost is
   A. the price tag
   B. the next best alternative given up
   C. the cheapest item
   D. the money spent

4. A point inside the PPC means
   A. impossible output
   B. resources are unemployed or misused
   C. maximum output
   D. growth

5. A resource is free if
   A. the state owns it
   B. it is costly
   C. supply exceeds wants at zero price
   D. it is scarce

6. Payment for entrepreneurship is
   A. rent
   B. interest
   C. wages
   D. profit

7. The law of demand says quantity demanded
   A. falls when price rises
   B. rises when price rises
   C. is fixed
   D. is zero

8. If Qd = 60 − 5P, then Qd at P = 4 is
   A. 10
   B. 20
   C. 40
   D. 30

9. Production is
   A. creating goods and services
   B. only saving money
   C. only taxation
   D. only buying goods

10. Banking is a
    A. primary activity
    B. tertiary activity
    C. secondary activity
    D. free resource

11. Money is
    A. only gold
    B. only coins
    C. anything generally accepted in payment
    D. only notes

12. Commodity money in Ethiopia included
    A. amole (salt)
    B. telebirr
    C. plastic cards
    D. cheques

Unit 1 · Introducing Economics

By the end of this unit you will be able to:

- explain the meaning of economics
- distinguish microeconomics from macroeconomics
- distinguish deductive from inductive reasoning and positive from normative economics
- identify the decision-making units of an economy

Before you start — check yourself. (a) Why can we not satisfy all our wants? (b) Name one thing a household decides. (c) Who collects taxes?
Answers: (a) resources are limited (b) e.g. what to buy (c) the government

Key words: economics · scarcity · microeconomics · macroeconomics · deductive method · inductive method · positive economics · normative economics · household · firm · government

How this unit is examined

Question types that appear again and again in Ethiopian model examinations:

- Meaning of Economics
- Branches of Economics
- Methods and Approaches of Studying Economics
- Decision-Making Units

1.1 Meaning of Economics

Key ideas

- **Economics** is a **social science** that studies the **efficient allocation of scarce resources** to attain the maximum fulfilment of **unlimited human needs**. It studies how people, businesses, governments and societies make choices to cope with **scarcity**.
- **Scarcity** means that resources are limited while wants are unlimited, so choices must be made. The **central objective** of economics is the efficient use of scarce resources to satisfy unlimited needs.
- **Economics is a science** because it observes facts, builds theories and tests them; it is a **social** science because it studies human behaviour in society.
- **Why study economics?** To make good personal decisions, to understand prices, jobs and taxes, to judge government policies and to help in national development.

Example 1.1 — Define

Define economics.

Solution. The social science that studies how scarce resources are allocated to satisfy unlimited human needs.

Example 1.2 — Scarcity

Why does scarcity exist?

Solution. Wants are unlimited but resources are limited.

Example 1.3 — Objective

State the central objective of economics.

Solution. The efficient use of scarce resources to satisfy unlimited needs.

Example 1.4 — Exam Booster · Social

Why is economics called a social science?

Solution. It studies human behaviour in society.

Example 1.5 — Exam Booster · Choice

A student has 50 birr and wants a book (40) and a notebook set (30). What does scarcity force him to do?

Solution. Choose, because the money cannot buy both.

⚠ Watch out!

× Wrong	✓ Right
Economics is the study of money only.	It studies the use of all scarce resources.
Scarcity means poverty.	Scarcity affects rich and poor: wants exceed resources.
Resources are unlimited.	Resources are limited; wants are unlimited.

Practice 1.1

Level 1 — Basic

1. Define economics.
2. What is scarcity?
3. Is economics a natural science?

Level 2 — Standard

4. State the central objective.
5. Name one reason to study economics.

6. Why must people choose?

Level 3 — Challenge

7. Explain why scarcity is the basic economic problem.
8. Discuss why economics is a science.

1.2 Branches of Economics

Key ideas

- Economics has two main branches. **Microeconomics** studies the behaviour of **individual economic units** (a household, a firm, a market) and individual variables such as the **price of a product**, a consumer's demand and a firm's output.
- **Macroeconomics** studies the **economy as a whole**: national income and output (GDP), the general price level and **inflation**, **unemployment**, money supply, the balance of payments and economic growth.
- **Examples:** micro: why the price of teff rises in one market; how a firm chooses output. Macro: why prices in the whole country rise (inflation); why national unemployment is high.
- **Link:** the two branches are connected because the whole economy is the sum of individual units, but a decision good for one unit may not be good for the whole economy.

Example 1.6 — Classify

Micro or macro: (a) the price of coffee in Addis Ababa, (b) national unemployment rate.

Solution. (a) micro; (b) macro.

Example 1.7 — Define

What does microeconomics study?

Solution. The behaviour of individual economic units and individual prices.

Example 1.8 — Define

What does macroeconomics study?

Solution. The economy as a whole: GDP, inflation, unemployment.

Example 1.9 — Exam Booster · Classify

Micro or macro: a firm decides how many shoes to produce.

Solution. Micro.

Example 1.10 — Exam Booster · Classify

Micro or macro: the growth rate of Ethiopia's GDP.

Solution. Macro.

Unit 2 · The Basic Economic Problems and Economic Systems

By the end of this unit you will be able to:

- explain scarcity, choice and opportunity cost
- use the production possibility curve
- describe the central problems of an economy
- compare traditional, capitalist, command and mixed economic systems

Before you start — check yourself. (a) What do you give up when you choose a book instead of a shirt? (b) Who decides what to produce in your family farm? (c) Name one thing government provides.
Answers: (a) the shirt (b) the family (c) e.g. roads

Key words: scarcity · choice · opportunity cost · production possibility curve · increasing opportunity cost · economic system · traditional economy · capitalism · command economy · mixed economy

How this unit is examined

Question types that appear again and again in Ethiopian model examinations:

- Scarcity, Choice and Opportunity Cost
- Production Possibility Curve
- Central Problems of an Economy
- Economic Systems

2.1 Scarcity, Choice and Opportunity Cost

Key ideas

- **Scarcity** is the imbalance between **unlimited human wants** and **limited resources**. A resource may be abundant yet still scarce if people want more than is available at zero price.
- Because of scarcity every individual, firm and country must make a **choice**: to take one alternative means giving up another.
- **Opportunity cost** is the cost of a decision expressed in terms of the **next best alternative given up**. It is not money spent but the value of what was foregone.
- **Example.** A farmer has one hectare and can plant teff (income 20 000 birr) or maize (15 000 birr). If he plants teff, the opportunity cost is the 15 000 birr from maize. Time also has opportunity cost: one hour of study may cost one hour of play.

Unit 5 · Introduction to Production and Cost

By the end of this unit you will be able to:

- define production, inputs and outputs
- distinguish the short run from the long run
- calculate total, average and marginal product
- calculate fixed, variable, total, average and marginal cost

Before you start — check yourself. (a) Name two inputs a baker needs. (b) What is the output of a baker? (c) Is rent paid even when no bread is baked?
Answers: (a) flour and labour (b) bread (c) yes

Key words: production · input · output · production function · short run · long run · total product · average product · marginal product · fixed cost · variable cost · marginal cost

How this unit is examined

Question types that appear again and again in Ethiopian model examinations:

- Production, Inputs and Outputs
- Periods of Production and Product Concepts
- Costs of Production
- Average and Marginal Cost

5.1 Production, Inputs and Outputs

Key ideas

- **Production** is the process of **creating goods and services** that satisfy human wants by combining inputs. **Inputs** (factors) are the resources used: land, labour, capital and entrepreneurship. **Outputs** are the goods and services produced.
- The **production function** is the technical relationship between inputs and the **maximum output** that can be produced with them: Q = f(land, labour, capital, entrepreneurship).
- **Types of production:** primary (agriculture, mining), secondary (manufacturing, construction) and tertiary (services such as banking, transport and teaching). **Utility** is created by form, place, time and possession.
- **Production vs productivity:** production is the total output; **productivity** is output per unit of input (for example kg of teff per hectare).

Unit 7 · Introduction to Macroeconomics

By the end of this unit you will be able to:

- define macroeconomic variables such as GDP, inflation and unemployment
- state the goals of macroeconomic policy
- calculate GDP, inflation and unemployment rates
- explain recession, inflation, unemployment and trade deficits

Before you start — check yourself. (a) What is the total value of all goods produced in a country called? (b) What does "prices are rising" mean? (c) Who is an unemployed person?
Answers: (a) national output (GDP) (b) inflation (c) someone who wants to work but has no job

Key words: macroeconomics · national income · GDP · inflation · deflation · unemployment · recession · trade balance · balance of payments · economic growth

How this unit is examined

Question types that appear again and again in Ethiopian model examinations:

- Macroeconomic Variables and National Income
- Macroeconomic Goals
- Recession, Inflation and Deflation
- Unemployment and External Balances

7.1 Macroeconomic Variables and National Income

Key ideas

- **Macroeconomic variables** measure the performance of the whole economy: **national income and output (GDP)**, the **general price level (inflation)**, the **unemployment rate**, the **money supply**, the **exchange rate** and the **balance of trade and payments**.
- **National income** is the aggregate monetary value of all **final goods and services** produced in a country in a year. **GDP (gross domestic product)** is the value of final output produced within a country in a year. Only **final** goods are counted to avoid double counting.
- **Expenditure approach: GDP = C + I + G + (X − M)**, where C is consumption, I investment, G government purchases, X exports and M imports. **Example:** C = 500, I = 200, G = 150, X = 100, M = 120 → GDP = 500 + 200 + 150 + (100 − 120) = 830.
- **Real GDP** is adjusted for price changes; **nominal GDP** is at current prices. **GDP per capita** = GDP ÷ population shows the average income. **Growth rate** = (GDP now − GDP before) ÷ GDP before × 100.

Key Facts Sheet

Learn these by heart. Cover the right-hand side and say each fact from memory.

Unit 1 · Introducing economics

Economics = efficient use of scarce resources to satisfy unlimited needs

Micro = individual units ; macro = whole economy

Deductive: general to particular ; inductive: particular to general

Positive = facts ; normative = value judgements

Units: households, firms, government

Unit 2 · Problems and systems

Opportunity cost = next best alternative given up

PPC: on = efficient ; inside = waste ; outside = unattainable

Increasing opportunity cost makes PPC concave

Central problems: what, how, for whom

Systems: traditional, capitalist, command, mixed

Unit 3 · Resources and markets

Factor payments: land-rent, labour-wages, capital-interest, entrepreneurship-profit

Renewable vs non-renewable

Markets: goods and services, labour, financial

Leakages: savings, taxes, imports ; injections: investment, government spending, exports

Land in Ethiopia: state-owned, use rights

Unit 4 · Demand and supply

Law of demand: price up, Qd down ; law of supply: price up, Qs up

Equilibrium: Qd = Qs

Surplus above equilibrium ; shortage below

Price change = move along ; other determinants = shift

Example: Qd = 60 − 5P, Qs = 5P, P = 6, Q = 30

Unit 5 · Production and cost

Short run: one fixed input ; long run: all variable

AP = TP/L ; MP = ΔTP/ΔL

TC = FC + VC

ATC = TC/Q ; MC = ΔTC/ΔQ

Diminishing returns: MP eventually falls

Unit 6 · Money

Money = generally accepted means of payment

Functions: exchange, unit of account, store of value, deferred payment

Motives: transaction, precautionary, speculative

Money supply = cash + bank balances ; central bank controls it

Amole (salt) and Maria Theresa in Ethiopia

Unit 7 · Macroeconomics

GDP = C + I + G + (X − M)

Inflation rate = (CPI now − CPI before)/CPI before × 100

Unemployment rate = unemployed / labour force × 100

Trade deficit: imports exceed exports

Goals: growth, jobs, price stability, external balance

Unit 8 · Entrepreneurship

Entrepreneur bears risk and reward

Creativity = idea ; innovation = putting it to use

Window of opportunity = unmet need

Finance: savings, iqub, microfinance, banks

Business plan guides and wins loans

Mock Examination 1

60 multiple-choice questions · 90 minutes · one mark each. Circle one answer. Mark with the answer key at the back and use the unit number to see where to revise.

1. Economics is a
   A. branch of art
   B. social science
   C. branch of sport
   D. natural science

2. Scarcity arises because
   A. prices are low
   B. wants are unlimited and resources limited
   C. resources are unlimited
   D. wants are few

3. The central objective of economics is
   A. wasting resources
   B. efficient use of scarce resources
   C. stopping trade
   D. avoiding choices

4. Because of scarcity people must
   A. ignore wants
   B. avoid trade
   C. stop working
   D. make choices

5. Microeconomics studies
   A. only the government
   B. individual economic units
   C. only the weather
   D. only the whole economy

6. Macroeconomics studies
   A. one market only
   B. one household only
   C. one firm only
   D. the economy as a whole

7. The price of one product in a market is a
   A. micro issue
   B. moral issue
   C. political issue
   D. macro issue

8. The national unemployment rate is a
   A. macro issue
   B. micro issue
   C. household issue
   D. firm issue

9. Opportunity cost is
   A. the price tag
   B. the next best alternative given up
   C. the cheapest item
   D. the money spent

10. A farmer earns 20 000 from teff or 15 000 from maize and plants teff. Opportunity cost is
    A. 15 000 birr
    B. 5 000 birr
    C. 35 000 birr
    D. 20 000 birr

11. The PPC shows
    A. one good only
    B. combinations of two goods
    C. prices
    D. taxes

12. A point inside the PPC means
    A. impossible output
    B. resources are unemployed or misused
    C. maximum output
    D. growth