NATIONAL OPEN UNIVERSITY OF NIGERIA
FACULTY OF SOCIAL SCIENCES
DEPARTMENT OF ECONOMICS
2021_1 EXAMINATION

COURSE CODE: ECO431
COURSE TITLE: ADVANCED MICROECONOMICS
CREDIT UNITS: TWO (2)
TIME ALLOWED: TWO HOURS (2HRS)
INSTRUCTION: 1. INDICATE YOUR MATRICULATION NUMBER CLEARLY
2. ANSWER THREE QUESTIONS. ALL QUESTIONS CARRY EQUAL MARKS

QUESTION 1
a. State 5 importance of microeconomics. **5marks**

b. Microeconomics is divided into positive and normative economics. Briefly discuss. **10marks**

c. The demand function for BUA Cement company is given as $2Q + 4P = 40$ while the quantity supply function is given as $3Q - 9P = 30$. Determine the equilibrium price at which quantity supply and quantity demand are equal hence, state the quantity at which supply and demand intersect and do a geometric presentation of your result.
8marks

QUESTION 2.

a. State the importance of price system and provide at least five functions of the price system.
7marks

b. The effect of price decrease on normal goods (X_1 and X_2) could lead to either substitution or income effect on a rational consumer. Discuss this effect with the aid of a figure.
16marks

QUESTION 3

a. State the assumptions of backward bending labor supply curve and identify its limitations.
10marks

b. Increase in workers' wages above subsistence level has two effect on worker's choice of how many hours to work per unit of time. State these effects and justify with the aid of a diagram.
13marks

QUESTION 4.

Show with the aid of geometry and algebra the equilibrium condition of a profit maximizing monopolist in the short-run. **23mks**