



**NATIONAL OPEN UNIVERSITY OF NIGERIA FACULTY OF SOCIAL SCIENCES
DEPARTMENT OF ECONOMICS 2020_2 EXAMINATION...**

COURSE TITLE: ADVANCED MICROECONOMIC THEORY

COURSE CODE: ECO 711

UNITS: 3

TIME ALLOWED: 3 HOURS

INSTRUCTION: ANSWER ONE AND ANY OTHER THREE QUESTIONS

1. Suppose that the unit price of a commodity is defined by $P = 100 - 2Q$ and the total cost is given as $TC = 100 - 0.5Q^2$. Apply the first-order condition and second order condition for profit maximization and determine the profit-maximizing level of output. **(25 marks)**.

2a. What is welfare economics? **(3 marks)**

b. Distinguish between comparative static and dynamic equilibrium analysis **(6 marks)**

c. Differentiate between income consumption curve and price consumption curve **(6 marks)**

3a. Define the term externalities. **(3 marks)**

3b. Discuss the effects of externalities and how can externalities problems be solved. **(6 marks)**

3c. Discuss three types of externalities **(6 marks)**

4a. State five assumptions of linear programming for production. **(5 marks)**

b. State five advantages and disadvantages of linear programming. **(10 marks)**

5a. Explain the term cost benefit analysis. **(2 marks)**

b. State four steps taken and three cost incurred in cost benefit analysis. **(7 marks)**.

c. Outline three merits and demerits of cost benefit analysis. **(6 marks)**.

6. Write short notes on the following:

a. Law of Diminishing Marginal Utility and Average Utility. **(6 marks)**.

b. Total Utility and Marginal Utility. **(6 marks)**.

c. State three assumptions of the Law of Diminishing Marginal Utility. **(3 marks)**.

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