



NATIONAL OPEN UNIVERSITY OF NIGERIA
FACULTY OF SOCIAL SCIENCES
DEPARTMENT OF ECONOMICS
September 2020_1 Examination

COURSE TITLE: ECONOMIC THEORY

COURSE CODE: ECO 802

UNITS: 3

TIME ALLOWED: 3HOURS

INSTRUCTION: ANSWER QUESTION ONE AND ANY OTHER 3 QUESTIONS

QUESTION ONE

- (a) Assume a four-sector economy, $C + I + G + (X - M)$

$$C = N700 + 0.80(Y - T + R) \quad I = N600 \quad T = N30 \quad G = N830$$

$$R = N150 \quad X = N50 \quad M = N20 + 0.002Y$$

Calculate the equilibrium level of income. Calculate the income multiplier and the new equilibrium income level when investment increases by N30b (14 marks)

- (b) Briefly discuss what economic data means (5 marks)

QUESTION TWO

- (a) Using appropriate diagrams, where necessary, discuss the 4 assumptions of the utility function (13 marks)

- (b) Define advertisement-elasticity of sales and list any three important factors affecting the advertisement-elasticity of sales (4 marks)

QUESTION THREE

Using tangible examples where necessary, describe the parts of linear programming (17 marks)

QUESTION FOUR

- (a) Define welfare economics and list the three major methods of attaining social welfare as: (5 marks)

- (b) Discuss the Problems of monetary policy implementation (12 marks)

QUESTION FIVE

- (a) Discuss briefly the reason expected rate of inflation affects the position of aggregate supply schedule at any given point in time (4 marks)

- (b) With the use of appropriate diagrams, explain the three common forms of demand functions:
(13 marks)

QUESTION SIX

- (a) Discuss the two groups of income redistribution programmes used by government.
(6 marks)
- (b) Discuss the assumptions of a production function.
(11 marks)

