



**NATIONAL OPEN UNIVERSITY OF NIGERIA
FACULTY OF SOCIAL SCIENCES
DEPARTMENT OF ECONOMICS
2021_2 EXAMINATION**

COURSE CODE: ECO431
COURSE TITLE: ADVANCED MICROECONOMICS
CREDIT UNITS: TWO (2)
TIME ALLOWED: TWO HOURS (2HRS)
INSTRUCTION: ANSWER QUESTION ONE AND ANY OTHER TWO QUESTIONS

QUESTION 1.

- a.i What do you understand by consumer surplus? **2marks**
ii. What is elasticity in economics? **2 marks**
- b. Using the income consumption curve, describe the effect of change in income on normal goods. **10marks**
- c. What is a market? **2 marks**
- d. State the assumptions and limitations of a linear programming model used in optimizing a linear inequality constraint functions. **12marks**
- e. Households perform dual functions in general equilibrium analysis. State this functions. **2marks**

QUESTION 2.

- a. Differentiate between explicit and implicit cost. **10marks**
- b. “The long-run average cost curve is a planning curve which serve as a guide to the entrepreneur in his decision to plan the future expansion of his output”. Using a graph, explain this assertion. **10marks**

QUESTION 3.

- a. State the assumptions of Cobweb theory **5marks**
- b. Briefly explain the concept of internal and external economies of scale **5marks**
- c. Explain with the aid of diagram, the short-run equilibrium condition of a profit maximizing firm in a perfect competitive market. **10 marks**

QUESTION 4

- a. State the assumptions of Cournot oligopoly model. **5Marks**
- b. State at least five (5) assumptions of a perfect competitive market. **5Marks**
- c. A manufacturing firm is faced with constraint of cost minimization. Given the firm’s output function of $Q = f(L,K)$ and cost function $C = wL + rK$, solve for the equilibrium of the firm **10 marks**