



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

COURSE TITLE: ADVANCED MACROECONOMICS

COURSE CODE: ECO 442

UNITS: 2

TIME ALLOWED: 2 HOURS

INSTRUCTIONS: ANSWER QUESTION ONE AND ANY OTHER TWO QUESTION

1. In Nigeria, full employment figure is put at N12.5m. Consumption consist of N2.5m autonomous and a $0.037Y_d$ dependent, investment is N3.75m, while government expenditure is N3m. After all efforts, statisticians are able to estimate tax receipts at $N0.75 + 0.01Y$.

Determine:

- 1a. Equilibrium level of income **(10marks)**
- 1b. Aggregate consumption and taxes at the level of equilibrium income **(6marks)**
- 1c. By how much is the economy deflationary or inflationary? **(3marks)**
- 1d. What policy measure should the government apply to the result in (c) above? **(6 marks)**
- 1e. List the conceptual and practical difficulties faced in measuring national income. **(5marks)**

- 2a. Given the following information: Private consumption expenditure N50m, Gross capital formation N10m, Gross final expenditure N17m, net income from abroad N4m, Net export is less N5m, Consumption of fixed capital N2.2m and net indirect business tax is N1.2m. Compute (i) GDP (ii) GNP (iii) NNP (iv) NI **(12marks)**

- 2b. Differentiate between GNP at factor cost and GNP at market price **(4marks)**
- 2c. Distinguish between nominal and real Gross Domestic Product (GDP) **(4marks)**

- 3a. What is inflation? **(2marks)**
- 3b. How does inflation contribute to the decline in Nigeria's economy? **(10marks)**
- 3c. What policy measures can be adopted by government to curb the inflation? **(8marks)**

- 4a. Explain the two versions of the accelerator theory of investment **(12marks)**
- 4b. What are the shortcomings of the accelerator theory? **(8marks)**