



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

**COURSE TITLE: MACROECONOMICS THEORY**

**COURSE CODE: ECO 718**

**UNITS: 3**

**TIME ALLOWED: 3 HOURS**

**INSTRUCTION: ANSWER ANY FOUR (4) QUESTIONS OF YOUR CHOICE.**

1. a. Macroeconomics is regarded as the whole of microeconomics. Expatiate on their linkage (9.5 Marks)  
b. Briefly explain any 4 of the following
  - i. Verbal Statement:
  - ii. Graphs:
  - iii. Equations/Models:
  - iv. Variable:
  - v. Functions: (8 marks)
2. Comparative statics is not concerned with the transitional period but —involves the study of variations in equilibrium positions corresponding to specified changes in underlying data. Discuss in details why it is different from macro static and macro dynamic situation. (17.5 Marks)
3. According to Hansen, —An equilibrium condition is reached when the desired volume of cash balance equals the quantity of money, when the marginal efficiency of capital is equal to the rate of interest and finally, when the volume of investment is equal to the normal or desired volume of saving. Derive the IS-LM curve. (17.5 Marks)
4. Consumption and saving are theoretically linked to level of income at both individual and aggregate level in such a way that an increase in one will mean a decrease in the other. Discuss the concept of consumption and savings and how they are interrelated. (17.5 Marks)
5. a. Derive consumption function and savings function for a hypothetical consumer. (6 Marks)

- b.** Mr. Monacs receives ₦20,000 monthly after tax, his marginal propensity to save is 25% although his office provides lunch for him over ₦500 monthly. Derive Mr. Monacs consumption function and estimate his total consumption for the month. (*4 Marks*)
  - c.** List and explain 5 Determinant of Consumption and Savings. (*7.5 Marks*)
- 6.**
  - a.** Elucidate on the concept of investment and how it interrelates with savings. (*10 Marks*)
  - b.** The investment demand function was drawn on the assumption that other non- interest determinations of investment are held constant. Explain any five factors that can cause a shift? (*7.5 Marks*)