



**NATIONAL OPEN UNIVERSITY OF NIGERIA
FACULTY OF SOCIAL SCIENCES
DEPARTMENT OF ECONOMICS
2019_1 EXAMINATION**

COURSE TITLE: ADVANCED MICROECONOMICS

COURSE CODE: ECO 431

UNITS: 2

TIME ALLOWED: 2 HOURS

INSTRUCTION: QUESTION ONE AND ANY OTHER TWO QUESTIONS.

- 1a. What do you understand by the term “market”? (5 marks)
- 1b. Describe the adjustment process of price mechanism (7 marks)
- 1c. In a non-competitive market why and how should fiat regulate the market? (10 marks)
- 1d. Given that the demand function $P = a - bQ$; proof that the slope of marginal revenue is twice the slope of the demand function with the same positive intercept. (8 marks)
- 2a. Explain the main argument put forth by Classist in support of price mechanism. (10 marks)
- 2b. Given that $Q_D = 30 - 5P$ and $Q_S = 2P - 5$; also if sales tax of N2 is imposed per unit
- Calculate the share of tax for both seller and buyer. (8 marks)
 - What does your answer in (i) suggest in term of elasticity. (2 marks)
- 3a. What do you understand by the term market failure? 10 marks
- 3b. What is the meaning of the taxation term, “Deadweight loss”? 10 marks
- 4a. The liberal policy of the Western World, ‘cargoes’ to developing countries through Structural Adjustment Programme (SAP), was a born-again imperialism. Discuss (12 Marks)
- 4b. Explain the term “Paradox of Value” with example. (8marks)
- 5a. Given the Utility function $Z = g(X, Y, \Lambda) = U(X, Y)$ and that $M = XP_x + YP_y$
Show that $\frac{MU_x}{MU_y} = \frac{P_x}{P_y}$ (15 marks)
- 5b. Show that in perfect competitive market Marginal Revenue (MR) and Average Revenue (AR) equal to price of the product. (5 marks)