



**NATIONAL OPEN UNIVERSITY OF NIGERIA
FACULTY OF SOCIAL SCIENCES
DEPARTMENT OF ECONOMICS
2023_1 POP EXAMINATION.**

COURSE TITLE: ECONOMIC THEORY

COURSE CODE: ECO 824

UNITS: 3.

TIME ALLOWED: 3 HOURS

INSTRUCTION: ANSWER QUESTION (ONE) AND ANY OTHER (THREE)

QUESTION ONE

(1a) Minimise $C = 50X^2 + 120Y^2$

Subject to $X + Y = 300$

(20 Marks)

(1b) Discuss Williamson's hypothesis of maximisation of managerial utility function **(5 Marks)**

QUESTION TWO

(2a) Explain briefly and distinguish between

i. Fixed Costs and Variable Costs **(3 Marks)**

ii. Private Costs and Social Costs **(4 Marks)**

(2b) With the aid of a diagram explain the short run monopoly equilibrium with positive profit **(8 Marks)**

QUESTION THREE

(3a) In setting the market price for a product, corporate managers should make inputs about the factors that affect the demand for the company's products. Outline these various factors. **(7 Marks)**

(3b) With the aid of symbols, analyse the five (5) properties of the Cobb-Douglas Production Function **(8 Marks)**

QUESTION FOUR

(4a) Apart from the profit maximization objective, there are other important objectives of the firm to be maximized. Outline them. **(6 Marks)**

(4b) Define market demand and explain the various types of market demand **(9 marks)**

QUESTION FIVE

(5a) Discuss the main ideas behind the following school of thoughts on the theories of profit in economics.

i. Schumpeter's Innovation Theory of Profit (3Marks)

ii. Knight's Theory of Profit (2 Marks)

iii. Walker's Theory of Profit (2 Marks)

(5b) How do incremental and sunk costs differ from marginal costs? (8 marks)