



NATIONAL OPEN UNIVERSITY OF NIGERIA
FACULTY OF SOCIAL SCIENCES
DEPARTMENT OF ECONOMICS
2024_2 EXAMINATION

COURSE TITLE: ADVANCED MICROECONOMIC THEORY
COURSE CODE: ECO 711
UNITS: 3 UNITS
TIME ALLOWED: 3 HOURS

INSTRUCTION: ANSWER QUESTION ONE AND ANY OTHER THREE QUESTIONS

1. Assuming the utility function of an individual is as follows. $u = 18q + 7q^2 - \frac{1}{3}q^3$.
 - a. Determine the utility maximizing units of consumption? **(15 marks)**
 - b. At what level of consumption does the Law of Diminishing Marginal Utility set in? **(10marks)**
- 2a. Explain the primary ways in which entrepreneurs are able to drive profits above interest levels. **(8marks)**
 - b. What is investment and what are the steps to investment production process? **(7marks)**
- 3a. State five implicit and explicit assumptions of marginal productivity theory of distribution. **(5marks)**.
 - b. Outline and explain any five shortcomings of the marginal productivity theory. **(10marks)**
4. Given a utility function $U = 180Q - 2.5Q^2$
 - a. Find the marginal utility **(4 marks)**
 - b. Calculate the utility maximizing quantity **(5 marks)**.
 - c. Differentiate between Stable and Unstable Equilibrium **(6 marks)**.
- 5a. State five causes or sources of monopoly power. **(5 marks)**
 - b. State five assumptions that define a monopoly. **(5 marks)**
 - c. List and briefly explain five examples of imperfect competition. **(5 marks)**