



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

COURSE TITLE: ADVANCED MACROECONOMIC THEORY
COURSE CODE: ECO 712
UNITS: 3 UNITS
TIME ALLOWED: 3 HOURS
INSTRUCTION: ANSWER ANY FOUR QUESTIONS. ALL QUESTIONS CARRY EQUAL MARK. YOU ARE ADVISED TO EXPLAIN EXPLICITLY AND USE DIAGRAM, GRAPHS, ILLUSTRATIONS OR EXAMPLES WHERE NEEDED

QUESTION 1

- a. Given a model with the following structural equations $Y = C + I + G$, where $C = 30 + 0.8Y$, $I = N60m$ and $G = N120m$, derive the equilibrium national income and the income multiplier. (8.5marks)
- b. Dr. Adekunle's monthly net salary is ₦400,000 and his marginal propensity to save is 25%. His employer provides lunch for him at ₦7000 monthly. Derive Dr. Adekunle's consumption function and estimate his total consumption for the month. (9marks)

QUESTION 2

- a. Trace the Evolution of Modern Money. (5marks)
- b. Explain the functions of the CBN in the economy (7.5marks)
- c. The statutory mandate of the CBN is to maintain "monetary stability". How do they achieve this? (5marks)

QUESTION 3

Explain the differences between the following:

- a. Microeconomics and Macroeconomics (3.5marks)
- b. Induced and Autonomous Investment (3.5marks)
- c. Marginal Efficiency of Capital (MEC) and Marginal Efficiency of Investment (MEI) (3.5marks)
- d. Gross Domestic Product (GDP) and Gross National Product (GNP) (3.5marks)
- e. Personal Income and Disposable Income (3.5marks)

QUESTION 4

- a. Discuss major determinant of investment in accordance to accelerator theory (6marks)
- b. Explain clearly the profit concept of financial theory (8marks)
- c. Examine the relationship between Classical and Keynesian Models (3.5marks)

QUESTION 5

- a. Explain the major features of less developed countries. (7.5marks)
- b. What do you understand by basic developmental objectives? (10marks)