NATIONAL OPEN UNIVERSITY OF NIGERIA
FACULTY OF SOCIAL SCIENCES
DEPARTMENT OF ECONOMICS
2025_2 EXAMINATIONS

COURSE TITLE: MACROECONOMIC THEORY I
COURSE CODE: ECO341
UNITS: 3
TIME ALLOWED: 3 HOURS
INSTRUCTION: ANSWER FOUR (4) QUESTIONS. QUESTION ONE (1) IS COMPULSORY.

Question 1(a): Given the following saving function S = - 120 + 0.4Yd, derive the consumption function. (**6marks**)
Question 1(b): Briefly explain the following concepts. (include a diagram where necessary). (**10marks**)
   a. Consumption Expenditure
   b. National income
   c. Personal income
   d. Disposable income
   e. Net National Product

Question 1(c): Briefly explain nine (9) factors other than the rate of interest that affect the inducement to invest. (**9marks**)

Question 2(a): Macroeconomics is important for economic analysis, however it has certain shortcomings. Explain five (5) of these shortcomings. (**10marks**).
Question 2(b): Identify five (5) determinants of saving. (**5marks**)

Question 3(a): According to the classical theory of interest, rate of interest is determined by the supply and demand of capital. Discuss**. (10 marks)**
Question 3(b): Given that I0 = N400 million; C = 100+ 0.5Y. Find the equilibrium income(Y*). (**5marks**)

Question 4(a): Given a consumption function C = 200 + 0.8Yd, derive the saving function. (**8marks**)
Question 4(b): With the aid of a graph, explain the full employment equilibrium. (**7 marks**)

Question 5(a): Identify and explain five (5) important factors that shape household consumtion levels and decisions. (**10marks**)
Question 5(b): A country may experience economic growth without necessarily achieving development. Give five (5) reasons for this**. (5 marks)**