## OLABISI ONABANJO UNIVERSITY, AGO-IWOYE FACULTY OF SOCIAL AND MANAGEMENT SCIENCES DEPARTMENT OF ECONOMICS 2011/2012 SECOND SEMESTER EXAMINATION

COURSE CODIZITEE: ECO 202-PRINCIPLES OF ECONOMICS II TIME ALLOWED: I HOUR 30 MINUTES INSTRUCTIONS: ATTEMPT ALL QUESTIONS IN SECTION A AND ONLY ONE QUESTION FROM SECTION B. ANSWER ALL QUESTIONS IN THE BOOKLET PROVIDED

## SECTIONA

Choose the most appropriate option:

- (i) Macroeconomics deals with \_\_\_\_ (a) The firms and how they carry out production in the economy(b) The aggregate, the economy as a whole(c) The environment and how to avoid flooding(d) How to raise capital in the stock market(e) None of the above
- (ii) The subject being discussed is macroeconomics if all of the following issues are involved \_\_\_\_\_ (a) How firms procure their raw materials (b) Interest rates, prices and wages ( Business cycles, unemployment, and inflation (d) Productivity of employed workers (e) Supply and demand in a competitive firm.
- (III) Which of the following best captures the goals of macroeconomic policies? (2) Ensuring economic growth and development(b) Guaranteeing the competiliveness of markets (c) Providing the enabling environment for foreign direct investment (d) Avoiding anti-trust activities in the economy
  - (e) Providing enough food for the aged in society
- (iv) Equations contain exogenous and endogenous variables as well as constant and error terms usually arranged in the following order
- (a) exogenous = error term + constant + endogenous (b) endogenous = error term + exogenous + constant (c) exogenous = endogenous + constant term + error term
- (d) constant = endogenous + exogenous + error term (e) endogenous = constant + exogenous d'error term
- (v) In the circular flow of income, the following holds
  - (a) Households produce consumables sold in the goods market (16) Firms own the goods sold in the products market (a) Households own resources traded in the products market (d) Trading of finished goods takes place in the products market

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(e) None of the above.

Nf. X-M. (10 marks.) Nf. X-M. 85-(201. M. 85-20-44.34 2. Given the following information: Y = B-bTo+ bRo+ 1+G+X-M 1-b+b1-br-1

Where mps=0.40,  $\beta$ =N60m, C= $\beta$ +bYd, Yd=Y-T+R, R=R0+rY=N20m+0.1Y, I=N50m, G=N70m, X=N85m,  $T=T_0+tY=N30m+0.2Y$ ,  $M=M_0+mY=N20+0.3Y$ 

$$\frac{1}{1-0.640.6(0.2) + 0.6(0.1) + 0.3} | \text{Note: MPS=0} \\
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Determine the values of the following at equilibrium- national income, disposable income, aggregate consumption expenditure, net export and tax revenue (14 marks). (b) Calculate the tax multiplier and transfer payment multiplier (4 marks). (c) What is the value of national income if tax rate is zero? (4 marks) 3(a)Country labour/day Cottons (tons) Cocoa (tons) Ghana 100 South Africa 100 7000 = 1.40 7000 1000 From the table above, The figure represent Comparative (os Advantage propounded by Ricardo in advancin Does the sigure of commodity produced represent Absolute or Comparative

Alsolute Cost through a figure Smith. Pointing the possibility a country had a find the foundation of the foundation of the house in 1700 Differentiate between "Absolute Cost Advantage and Comparative Advantage theory of international trade (5 marks) SECTION II (a) Explain the concept of Keynesian Cross in the IS-LM framework. (6 marks) (b) What are the causes of high rate of inflation in Nigeria? to marks Good difference of Discuss the determination of interest rate in the 19-1. M framework with the aid it dlagram, and brief explanation (7 marks) (d) State the type of unemployment in the following cases: Audu is a fresh graduate from Olabisi Onabanjo University searching for a job. Mama Maria is waiting for corn to be harvested so she can start roasting and selling. Seasonal unemployment lessonal ii. Ben, the typist is not needed because the MD now uses his iPAD to type himself. whene 111. iv. Geto Foam 1s reducing production and laying off people because of low demand Structural (6 marks) (a) What are the traditional functions of the Central Bank of Nigeria? (4 marks) (b) Explain the Permanent Income Hypothesis (6 marks) (c) Differentiate between the following pair of concepts: (i) M1 and M2 definitions of money supply (ii) Direct tax and Indirect tax (iii) Tax Base and Tax Rate (iv)Progressive tax and proportional tax M, = C0B+0 (v) cyclical and frictional unemployment. (15 marks) depres money supply as COB+ privately hid AD with comm lots was liability on Mr. 1 tous individual of the comment of an individual of from al income of an individual of from 1. It is at the of the dat bridges of sap both of ich and the private is at the of the dat bridges of sap both of ich and the private is at the of the dat bridges of sap both of rich and the private is at the of the dat bridges of sap both of rich and the private is at the of the dat bridges of sap both of rich and the private is at the cost of the data bridges of sap both of rich and the private is at the cost of the data bridges of sap both of rich and the private is at the cost of the data bridges of sap both of rich and the private is at the cost of the data bridges of sap both of rich and the private is at the cost of the data bridges of sap both of rich and the private is at the cost of the data bridges of sap both of rich and the private is at the cost of the data bridges of sap both of rich and the private is at the cost of the data bridges of sap both of rich and the private is at the cost of the data bridges of sap both of rich and the private is at the cost of the data bridges of sap both of rich and the private is at the cost of the data bridges of sap both of the data bridges of sap b