



OLABISI ONOBANJO UNIVERSITY AGO IWOYE
FACULTY OF MANAGEMENT AND SOCIAL SCIENCES
DEPARTMENT OF ECONOMICS

SECOND SEMESTER MID-EXAMINATION, 2015/2016 SESSION

COURSE CODE: ECO 302

TIME: 1 HOUR

COURSE TITLE: INTERMEDIATE MACROECONOMICS

INSTRUCTION: Attempt Two Questions in All. Question ONE is compulsory

Question One

(a) An economy shows the following features in naira:

Consumption: $C = 86 + 0.8Y^d$ (where Y^d = disposable income); Transfer (F) = -20; Marginal
Investment: $I = -\int (20)di$; Government Expenditure (G) = 60; Exports (X) = 40; Imports (M) =

$30 + \int (0.05)dY$ (where Y = National Income); Marginal Transaction and Precautionary demand

for money (M_T^d) = $\int (0.5)dY$; Marginal Speculative demand for money (M_{sp}^d) = $-40 \int di$;

Supply of money (M^s) = 440 and National income at full employment $Y(f) = 1100$. If the
integral constants of $I = 240$; $M = 30$; $M_{sp}^d = 300$.

- (i) What are the equilibrium values of income and rate of interest?
(ii) What shall be the additional exports in order to achieve full employment?
(iii) How will the additional exports be effected if the tax function $T = 10 + 0.1Y$ is introduced?

(b) Define the balance of payment function. Suppose $X = 200$; $M = 40 + 0.1Y$ and
 $K = 120 - 5i$ (where i is an absolute number). Find the balance of payment. 15 marks

Question Two

(a) Given: $Y = \frac{a - b\bar{T} + b\bar{R} + \bar{I} + \bar{G} + \bar{X} - \bar{M}}{1 - b + bt - i + m}$ determine: $\frac{\delta Y}{\delta i}$; $\frac{\delta Y}{\delta \bar{R}}$; $\frac{\delta Y}{\delta i}$; $\frac{\delta Y}{\delta m}$

(b) Write short notes on the following:

- (i) Balanced budget multiplier
(ii) Marginal propensity to import
(iii) Equitable distribution of income
(iv) Marginal propensity to tax (MPT)

Question Three

(a) Explain any five factors that could determine consumption pattern in a closed economy.

(b) Explain the life cycle hypothesis. Is the hypothesis realistic?

Balance of payment is the systematic recording of receipts from other countries and payments made to