

OLABISI ONABANJO UNIVERSITY, AGO-IWOYE

CENTRE FOR SANDWICH PROGRAMME (CESAP)

FACULTY OF SOCIAL AND MANAGEMENT SCIENCES

DEPARTMENT OF ECONOMICS

2010/2011 RAIN SEMESTER EXAMINATION

COURSE CODE/ TITLE: ECO202- PRINCIPLES OF ECONOMICS II

TIME ALLOWED: 1 HOUR 30MINUTES

INSTRUCTION: Answer ALL questions in Section A and one question in Section B

Answer ALL questions in the booklet in the booklet

SECTION A

- * 1. Given the following data in N'million for an economy: autonomous expenditure on consumption = a = 200, I = 700, G = 500, $T_0 = 120$, $t = 7\%$, Exports = 650, Imports = 450, $mpc = 0.65$, $R_0 = 180$.
(Hint: $R = R_0$)
- (a) Derive the equilibrium national income equation
 - (b) Determine the values of the following at equilibrium:
(i) National income (ii) Tax revenue (iii) Disposable income (iv) Aggregate consumption expenditure (v) Tax multiplier
 - (c) If autonomous tax and government expenditure increase by 50% and 40% respectively, what will be the new equilibrium national income?
2. Fill the blank with most appropriate answers:
- (a) The theory of absolute cost advantage was propounded by _____.
 - (b) When a nation's visible imports amount to N5 billion and the value of her visible exports is N3 billion, she experiences a balance of _____.
 - (c) According to Irving Fisher, quantity of money is the main determinant of _____.
 - (d) The rate at which a country's exports exchanges for her imports is known as _____.
 - (e) _____ consists of funds expended by the firms or government towards increasing a country's stock of capital goods.
 - (f) Inflation caused by increasing input expenses is called _____.
 - (g) A mismatch between the quality of human resources and the requirement of a job could cause _____.

- _____ unemployment.
- (h) _____ put forward the Permanent Income Hypothesis.
- (i) According to the Acceleration Principle, investment is majorly determined by _____.
- (j) The current income of a consumer could be decomposed into _____ and _____.
- (k) Real price index is another term for _____.
- (l) Trade-off between inflation and unemployment could be illustrated graphically with the aid of _____.
- (m) The function of money that is most adversely affected by inflation is _____.
- (n) The measures adopted by monetary authority to regulate credit creation are known as _____.

SECTION B (Attempt only one question from this section)

3. (a) Explain the Life Cycle Theory of consumption.
(b) Explain any five types of unemployment.
(c) Explain five factors that could affect the accuracy of national income figures.
4. Write short notes on the following: (a) balance of trade (b) frictional unemployment (c) open market operation (d) wholesale price index and GNP deflator (e) injections and withdrawals.