

OLABISI ONABANJO UNIVERSITY, AGO-IWOYE
CENTRE FOR SANDWICH PROGRAMME
FACULTY OF MANAGEMENT SCIENCES
DEPARTMENT OF ECONOMICS
2005/2006 SECOND SEMESTER EXAMINATIONS

COURSE: - ECO 302: Intermediate Macroeconomics

TIME ALLOWED: - 1 1/4 Hours

INSTRUCTIONS: - Attempt question 1 and any other two questions.

1). An economy has the following data in ₦ billion in a particular year.

$$C = 150 + 0.8Y_d, G_0 = 400, I = I_0 - kr, T = T_0 + tY,$$

$$X_0 = 300, M = M_0 + mY, T_0 = 80, t = 15\%,$$

$$m = 10\%, I_0 = 200, M_0 = 120, r = 7.5\%, k = 100$$

a) Derive the solution equation

b.) Compute the values of the following multipliers:

(i). government, (ii). autonomous tax, and (iii). proportional tax.

c.) Calculate the values of the followings:

- (i). equilibrium national income. *1944.3*
- (ii). aggregate consumption expenditure. *1705.363*
- (iii). total revenue generated by the government.
- (iv). net export. *-180.1*
- (v). total investment expenditure. *125.6*

d.) Determine the effect(s) on the economy if government expenditure increases by ₦150 billion. *- 2249.05*

2). a). Distinguish between the following pairs of concepts:

- i). Nominal and real GNP
- ii). Exogenous and Endogenous Variables
- iii). Stock and Flow variables
- iv). Comparative Static and Dynamic Analysis

b). What do you understand by Economic Equilibrium?

3). a). Identify and discuss the factors that determine the level of aggregate consumption in your country.

b). Citing relevant examples from your country, distinguish between active and passive macroeconomic policy formulation

4.) a). Outline the main features of Permanent Income Hypothesis and Life Cycle Consumption Theory.

b). How relevant are these hypotheses to real life situations in Nigeria.

$$Y = C + I + G + X$$

$$C = a + bY_d$$

$$I = I_0 - kr$$

$$T = T_0 + tY$$

$$M = M_0 + mY$$

$$G = G_0$$

$$X = X_0$$

$$Y = C + I + G + X$$

$$Y = a + bY_d + I_0 - kr + T_0 + tY + G_0 + X_0$$

$$Y - bY_d - tY = a + I_0 - kr + T_0 + G_0 + X_0$$

$$Y(1 - b - t) = a + I_0 - kr + T_0 + G_0 + X_0$$

$$Y = \frac{a + I_0 - kr + T_0 + G_0 + X_0}{1 - b - t}$$

$$(i) C = a + bY_d$$

$$(ii) I = I_0 - kr$$

$$(iii) T = T_0 + tY$$

$$(iv) M = M_0 + mY$$

$$Y = f(x)$$

exo out

endo inside

$$m_0 + m_1$$

$$120 +$$

$$2249$$