



NATIONAL OPEN UNIVERSITY OF NIGERIA
14-16 AHMADU BELLO WAY, VICTORIA ISLAND, LAGOS
SCHOOL OF MANAGEMENT SCIENCES
JANUARY/FEBRUARY 2013 EXAMINATION

COURSE CODE: MBA 803 CREDIT UNITS: 2

COURSE TITLE: MACROECONOMICS

TIME ALLOWED: 2 HOURS

Instructions: 1. Attempt question number one (1) and any other two (2).

**marks
each.**

**2. Question number 1 is compulsory and carries 30
while the other 2 questions carry 20 marks**

**3. Present all your points in coherent and orderly
manner.**

1(a) What are the major economic sectors of an economy? Describe, with an appropriate diagram, how the flow of economic activities take place, using a two-sector model of the economy.

15 marks

(b) Discuss in detail the monetary policy measures that can be used in transforming the Nigerian economy. Evaluate critically the probable implementation problems facing monetary authorities, such as the Central Bank of Nigeria.

15 marks

2. Explain the meaning of inflation and outline the theories explaining its causes. How do inflationary pressures affect business decisions?

**20
marks**

3. What are the three economic reasons for the demand for money? Illustrate with appropriate examples.

**20
marks**

4(a) Explain the meaning and applicability of marginal efficiency of investment (MEI). **10 marks**

(b) The theory of investment behaviour assumes that a higher expected rate of return on investment is usually associated with higher risk. Explain, using W. F. Sharpe's model of capital asset market equilibrium under conditions of risk.

10 marks

5. In any given economy, flows in the financial system are normally classified into three broad categories. Discuss in detail these categories. Of what significance is each of these categories to the business firms?

20 marks