National Open University of Nigeria

Plot 91, Cadastral Zone, Nnamdi Azikiwe Express Way, Jabi- Abuja

Faculty of Social Sciences
Department of Economics

October/November Examination 2016

Course Code: ECO 431
Course Title: Advanced Microeconomics
Credit unit: 2
Time Allowed: 2 hours

Instruction: Answer QUESTION ONE (COMPULSORY) and any other two questions

Question:

1) Imagine that we have 1000 identical individuals in the market for Waja Tea, each of them is

faced with a demand function given by Qd = 17 - 2P   and 100 identical producers of Waja Tea,

each producer with a supply function Qs = 30P.

(a) Find the market demand function and the market supply function for Waja Tea

(b) Find the equilibrium price and the equilibrium quantity mathematically. **(30 MARKS COMPULSORY)**

2) As an economist state and explain three criteria that you can use to evaluate the Nigerian economic performance over the years. **(20 MARKS)**

3a) What factors govern the size of the coefficient of price elasticity of demand? Explain three of them with examples.

b. Briefly describe what is meant by market failure in an economy.**(20 MARKS)**

4) What are the characteristics of indifference curves? Explain two of them with relevant diagrams.**(20 MARKS)**

5) Let us assume that the price of goods X is N4 per unit and the price of commodity Y is N2 per unit and suppose that a consumer money income is N24 per time period and is all spent on X and Y.

(a) Draw the budget constraint line for this consumer

(b) State the budget line equation

(c) Briefly describe budget line. **(20 MARKS)**