NATIONAL OPEN UNIVERSITY OF NIGERIA
FACULTY OF SOCIAL SCIENCES
DEPARTMENT OF ECONOMICS
September 2020_1 Examination

COURSE TITLE: ECONOMIC THEORY
COURSE CODE: ECO 802
UNITS: 3
TIME ALLOWED: 3HOURS

INSTRUCTION: ANSWER QUESTION ONE AND ANY OTHER 3 QUESTIONS

QUESTION ONE

(a) Assume a four-sector economy, $C + I + G + (X - M)$
$C = N700 + 0.80(Y − T + R)$ $I = N600$ $T = N30$ $G = N830$
$R = N150$ $X = N50$ $M = N20 + 0.002Y$
Calculate the equilibrium level of income. Calculate the income multiplier and the new equilibrium income level when investment increases by N30b   (14 marks)

(b) Briefly discuss what economic data means   (5 marks)

QUESTION TWO

(a) Using appropriate diagrams, where necessary, discuss the 4 assumptions of the utility function
(13 marks)

(b) Define advertisement-elasticity of sales and list any three important factors affecting the advertisement-elasticity of sales   (4 marks)

QUESTION THREE

Using tangible examples where necessary, describe the parts of linear programming (17 marks)

QUESTION FOUR

(a) Define welfare economics and list the three major methods of attaining social welfare as:
(5 marks)

(b) Discuss theProblems of monetary policy implementation   (12 marks)

QUESTION FIVE

(a) Discuss briefly the reason expected rate of inflation affects the position of aggregate supply schedule at any given point in time   (4 marks)

(b) With the use of appropriate diagrams, explain the three common forms of demand functions:

(13 marks)

QUESTION SIX

(a) Discuss the two groups of income redistribution programmes used by government.

(6 marks)

(b) Discuss the assumptions of a production function.   (11 marks)