



**NATIONAL OPEN UNIVERSITY OF NIGERIA
14-16 AHMADU BELLO WAY, VICTORIA ISLAND LAGOS
SCHOOL OF SCIENCE AND TECHNOLOGY
MAY/JUNE 2012 EXAMINATION**

AEM 651: MICROECONOMICS

TIME ALLOWED: 2Hours

INSTRUCTION(S): ANSWER ONLY 4 QUESTIONS

1.
 - a. Define Resources?
 - b. What is Productive Resources?
 - c. List the various types of productive resource.
 - d. What is the purpose of a Model in economic analysis?
 - e. State the assumptions of the cardinal utility analysis.

2.
 - a. What are the characteristics of an Indifference curve?
 - b. In drawing a budget line, certain assumptions are made. What are these assumptions?
 - c. Define consumer surplus.
 - d. What is subsidy?
 - e. What is the effect of subsidy on consumer surplus?
 - f. State the law of demand.
 - g. Why does the demand curve of a normal good slope downward?

3.
 - a. Distinguish between individual and market supply curve.
 - b. Define equilibrium price and equilibrium quantity.
 - c. What is the effect of change in demand on the market equilibrium?
 - d. What is the effect of change in supply on the market equilibrium?
 - e. Define the following terms:
 - i. Income elasticity of demand;
 - ii. Price elasticity of demand; and

iii. Cross elasticity of demand.

f. Mention the factors determining the elasticity of demand.

4.
 - a. Define production function.
 - b. State the law of diminishing returns.
 - c. Define an Isoquant map.
 - d. What is marginal rate of technical substitution?
 - e. Define an Iso-cost line.
 - f. What is an expansion path?
 - g. Define the marginal rate of product transformation.
5.
 - a. Define the following short cost component:
 - i. Total Cost;
 - ii. Total Fixed Cost; and
 - iii. Total Variable Cost.
 - b. Define the following:
 - i. Isorevenue line;
 - ii. Production possibility curve;
 - iii. Short run average cost; and
 - iv. Long run average cost.
 - c. What is market structure?
 - d.
 - I. Mention the four major types of market.
 - II. List the characteristics of each of these market strictures.
6.
 - a. Distinguish between market period and the short run period.
 - b. Define short down point.
 - c. At what level of output is the long run equilibrium of the industry attained?
 - d. What is Price discrimination?
 - e. Define the short run equilibrium of level output for a monopolistic competitor.