NATIONAL OPEN UNIVERSITY OF NIGERIA
14/16 AHMADU BELLO WAY, VICTORIA ISLAND, LAGOS
SCHOOL OF MANAGEMENT SCIENCES
MAY/JUNE 2012 EXAMINATION

Course Code: MBA 817
Credit Unit: 2
Course Title: Micro Economies
Time Allowed: 2 hours
Instruction:
Attempt any three questions of your choice. Each question carries equal marks. Present your answer legibly and logically.
QUESTIONS

1. a. Explain the following terms : (10 marks)
    i.   the law of demand
       ii.   the law of supply
     b. List and explain other methods of determining prices according to contemporary
            economist. (13.3 marks)

2.   a. Discuss extensively the functions of price system (11 marks)
       b. Discuss extensively the concept of elasticity of demand (12.3 mark)

3.   a. State and explain six (6) factors of demand (12 marks)
      b. State three importance of the concept of elasticity in the formulation of business   and economic policies (6 marks)
       c. Outline the various types of own price elasticity (5.3 marks)

4.   a. State the importance of elasticity of supply (5 marks)
       b. Suppose the demand for commodity X is statistically estimated as:

    $Qx = 68 – 1.6 Px2 + 0.6Py + 0.08E$
       Where: Qx = quantity of commodity
                  Px = N20 = price of commodity X

$$Py = N40 = \text{price of commodity}$$
$$E = N100 = \text{income of the consumer}$$

Calculate:
i.   the own price elasticity of demand for commodity X
ii.   the cross price elasticity of demand X with respect to the change in the price of Y
(10 marks)

c. Explain the following concepts
    i.   inelastic supply
    ii.   elastic supply
iii.   Unitary elasticity of supply

5. a. What are the assumptions of cardinality approach (10 marks)
   b. Itemize and explain the assumption underlying the indifference curve approach (13.3)