



NATIONAL OPEN UNIVERSITY OF NIGERIA
91, CADASTRAL ZONE, NNAMDI AZIKIWE EXPRESS WAY, JABI-ABUJA
FACULTY OF MANAGEMENT SCIENCES
MARCH/APRIL 2017 EXAMINATION

COURSE CODE: MGS 719

CREDIT UNIT: 2

COURSE TITLE: Principles of Microeconomics

TIME ALLOWED: 2 HOURS

Instructions:

- (i) Fill in the necessary information in front of your answer scrip
- (ii) Answer Questions **one** and two others
- (iii) Start each question answer on a fresh page **please**

Question One

- (a) Enumerate and explain the basic tools of economic analysis
(10 Marks)
- (b) List and explain the two major objectives of microeconomics
(10 Marks)
- (c) Explain the factors responsible for:
 - (i) A change in demand for a product
 - (ii) A change in quantity demanded of a product**(10 Marks)**

Question Two

- (a) Enumerate and explain briefly the various types of demand as discussed in microeconomics
(10 Marks)
- (b) Explain the conditions under which the laws of demand and supply may not hold
(10 Marks)

Question Three

- (a) Enumerate and explain the factors influencing the supply of a given commodity
(5 Marks)
- (b) Enumerate and explain the various types of supply
(5 Marks)
- (c) The demand and supply equations are given as:
 $Q_d = a - mP$; $Q_s = c + nP$
Find:
 - (i) The equilibrium price, P^*
 - (ii) The equilibrium quantity, Q^***(10 Marks)**

Question Four

(a) Explain the concept of price-elasticity of demand

(5 Marks)

(b) Given the demand equation: $Q_d = 120 - 30P + 2P^2$

Compute the price-elasticity of demand for $P = N3/\text{unit}$, and $Q = 5$ units

(15 Marks)

Question Five

Explain the following microeconomic issues:

(a) Substitution effect of a rise in wage rate

(b) Income effect of a rise in wage rate

(c) Economic rent

(20 Marks)