



**NATIONAL OPEN UNIVERSITY OF NIGERIA
14-16 AHMADU BELLO WAY, VICTORIA ISLAND LAGOS
SCHOOL OF ARTS AND SOCIAL SCIENCES
SEPTEMBER/OCTOBER 2015 EXAMINATION**

ECO 431: Advanced Micro Economics

Instructions:

- **Please read the questions carefully before you attempt 3 out of 5.**
- **Each question carry equal marks (23.5 Marks each)**

Total Time Allowed is 2 HOURS

1. Assuming that the market demand function of a perfectly competitive industry is given by $QD = 4750 - 50P$ and the market supply function is given by $QS = 1750 + 50P$, and P is expressed in Naira.

a. Find the market equilibrium price(**7 marks**)

b. Find the quantity demanded and supplied in the market at $P = N50, N40, N30, N20$, and $N10$ (**10 marks**)

c. Write the equation of the demand curve of the firm (**6.5 marks**)

2a. Why is it that the price elasticity of demand for Honda Accord car greater than the price elasticity for Automobiles in general?(**12.5 marks**)

2b. Is there any general rule one can infer from this?(**11 marks**)

3. With the aid graph briefly explain how each of these might happen:

- (a) Constant returns to scale, (**8.5 marks**)
- (b) Increasing returns to scale, (**7.5 marks**)
- (c) Decreasing returns to scale.(**7.5 marks**)

4(a) Oligopoly as an imperfect market possess some peculiar features that differentiate from all other market structures, state at least three of them.(**12 marks**)

4(b) Discuss the single most important characteristic in oligopolistic markets?(**11.5 marks**)

4. Compute Marginal Product and Marginal Revenue Product schedules given the following information:

No of workers(L)	Total Product (Q)	Total Revenue (R)
30	530	5830
40	730	7300
50	910	8190
60	1070	8560
70	1210	8470
80	1330	7890

5(a). Define pure monopoly in a way analogous to the definition of perfect competition. **(12 marks)**

5(b). Nigeria Railway Corporation is currently enjoying the status of monopoly in Nigeria, suggest and discuss those conditions that might give rise to this status? **(11.5 marks)**