



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

MBA 703/803 MACROECONOMICS
TIME ALLOWED: 2HRS

Instruction: Attempt any three (3) questions of your choice. Each question carries 23.3 marks.

1. Discuss in detail the monetary policy measures that can be used in transforming the Nigerian economy. Evaluate critically the probable implementation problems facing monetary authorities, such as the Central Bank of Nigeria.
2. Enumerate and discuss the causes and solutions of the cyclical fluctuation of business, as explained by the pure monetary theory. What are the limitations of the theory?
- 3(a) Explain the meaning and applicability of marginal efficiency of investment (MEI).
(b) The theory of investment behaviour assumes that a higher expected rate of return on investment is usually associated with higher risk. Explain, using W. F. Sharpe's model of capital asset market equilibrium under conditions of risk.
4. With an appropriate diagram, present briefly the circular flow of income in a given economy. In macroeconomic terms, what is your view on the economic impact of a break in the circular flow?
5. With appropriate examples, present the three economic reasons for the demand for money.

