



NATIONAL OPEN UNIVERSITY OF NIGERIA
91, Cadastral Zone, NnamdiAzikiwe Express Way, Jabi-Abuja
FACULTY OF MANAGEMENT SCIENCES
JULY 2017 EXAMINATION

Course Code: BUS802

Course Title: ECONOMIC THEORY

Credit Unit: 2

Instructions: 1. Attempt Question 1 and any other two (2) questions

2. Question 1 is compulsory and carries 30marks while the other 2 questions carry 20marks each

3. Present all your points in coherent and orderly

manner

Time Allowed: 2 Hours

1 (Compulsory)

- a. With the aid of appropriate graph explain the following.
 - i. Efficiency in exchange
(7marks)
 - ii. Efficiency in production (7marks)
 - iii. Efficiency in production and exchange
(7marks)
- b. Discuss the major differences between Accounting and Economic profits. (9marks)

- 2.** Assume that an individual's utility function is given as: $U = f(X_1, X_2)$; and $P_1 = N2$, $P_2 = N5$ and the individual consumer's income for the period of analysis is N10,000. As a Student of Business Administration, what are the units of goods X_1 and X_2 that the consumer must purchase and consume in order that he/she maximizes his/her utility?
(20marks)

- 3. a.** What are the categories of consumer goods
(10marks)
- b.** Explain the properties of Cobb-Douglas production function.
(10marks)
- 4.** What are the differences between short-run cost function and long-run cost function?
(20marks)
- 5a.** What is general equilibrium?

(10marks)

b. Analyse the basic goals of monetary policies.

(10marks)