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**NATIONAL OPEN UNIVERSITY OF NIGERIA**

**91, CADASTRAL ZONE, NNAMDI AZIKIWE EXPRESS WAY,JABI- ABUJA**

**FACULTY OF MANAGEMENT SCIENCES**

**OCTOBER/NOVEMBER EXAMINATION 2016**

**COURSE CODE: MGS 719:**

**COURSE TITLE: PRINCIPLES OF MICROECONOMICS**

**CREDIT UNITS: 2**

**TIME ALLOWED*:* 2 HOURS**

***Instructions:***

1. **Attempt question number one (1) and any other (2) questions.**
2. **Question number 1 carries 25 marks, while the other questions carry 15 marks each.**
3. **Present all your points in coherent and orderly manner.**

***Question One***

(a) Enumerate and explain the basic tools of economic analysis

**(10 Marks)**

(b) List and explain the two major objectives of microeconomics

**(7 Marks)**

(c) Explain the factors responsible for:

(i) A change in demand for a product

(ii) A change in quantity demanded of a product

**(8 Marks)**

***Question Two***

(a) Enumerate and explain briefly the various types of demand as discussed in microeconomics

**(7 Marks)**

(b) Explain the conditions under which the laws of demand and supply may not hold

**(8 Marks)**

***Question Three***

(a) Enumerate and explain the factors influencing the supply of a given commodity

**(2 Marks)**

(b) Enumerate and explain the various types of supply

**(3 Marks)**

(c) The demand and supply equations are given as:

Qd = a – mP; Qs = 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: Qd = 120 – 30P + 2P2

Compute the price-elasticity of demand for P = N3/unit, and Q = 5 units

**(10 Marks)**

***Question Five***

Enumerate and explain three types of monopoly. Also explain the possible distributive consequences of each of the three types of monopoly you enumerated.

**(15 Marks)**

***Question Six***

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

**(15 Marks)**

