



**NATIONAL OPEN UNIVERSITY OF NIGERIA  
FACULTY OF SOCIAL SCIENCES  
DEPARTMENT OF ECONOMICS  
2020\_2 EXAMINATION™**

**COURSE TITLE: MANAGERIAL ECONOMICS**

**COURSE CODE: ECO 332**

**UNITS: 2**

**TIME ALLOWED: 2 HOURS**

**INSTRUCTION: ANSWER ANY THREE QUESTIONS**

- 1a. What is a market demand? **5.3 Marks**
- 1b. Discuss the following terms
- Inferior goods **3 Marks**
  - Normal goods **3 Marks**
  - Luxury goods **3 Marks**
  - Linear Demand function **5 Marks**
  - Non-linear demand function **4 Marks**
- 2a. List and discuss the steps in simultaneous equation approach to demand forecasting **15 Marks**
- 2b. Suppose  $P = 300 - 6Q$ . Find the value of  $Q$  that maximizes total revenue. **8.3 Marks**
- 3a. Price elasticity of demand measures the degree of a consumer's response to a change in a product's cost. Discuss the factors that affects price elasticity of demand **15 Marks**
- 3b. Minimize  $C = 4X^2 - XY + 5Y^2$   
Subject to  $X + Y = 40$  **8.3 Marks**
- 4a. List and discuss four (4) determinants of market demand **8.3 Marks**
- 4b. Discuss the following terms.
- a. Economies of scale? **3 Marks**
  - b. Diseconomies of Scale **3Marks**
  - c. Internal Diseconomies of Scale **3Marks**
  - d. External Diseconomies of Scale **3Marks**
  - e. Isoquants **3Marks**
5. Find the output and price at which profit is maximized for a monopolistic firm, given its demand and cost functions below;  
Demand function:  $Q = 250 - 0.5P$   
Price function:  $P = 400 - 4Q$   
Cost function:  $C = 100 + 15Q + Q^2$  **23.3 Marks**