



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

COURSE TITLE: MACROECONOMICS THEORY

COURSE CODE: ECO 718

TIME ALLOWED: 3 HOURS

INSTRUCTIONS: ANSWER QUESTION ONE, AND ANY THREE OTHER QUESTIONS

QUESTION 1

- (a) Establish the point of divergent between Macroeconomics and Microeconomics. **(3 Marks)**
- (b) What are the important of studying Macroeconomics? **(6 Marks)**
- (c) List and explain the various determinants of savings **(6 Marks)**
- (d) Distinguish between GDP and GNP and between NI and PI **(10Marks)**

QUESTION 2

State and explain major macroeconomic policy instruments that could be applied to achieve the set macroeconomic policy objectives **(15 Marks)**

QUESTION 3

- a. Differentiate between the two sectors and three sectors economic models. **(7 Marks)**
- b. Given the classical two sector model $Y = C + I$; where $C = 1250 + 0.75Y$ and $I = 800$
- ii. What is the value of multiplier above? **(3Marks)**
- iii. What is the equilibrium level of income? **(5Marks)**

QUESTION 4

Examine in detail the effects of inflation:

- a) Aggregate saving **(8Marks)**
- b) On fixed income earners. **(7Marks)**

QUESTION 5

The demand and supply of money in an economy is largely depended on some macroeconomic factor(s) enumerate and explain major macroeconomic determinant(s) of;

- (a) Supply of money in an economy **(5 marks)**
- (b) Demand for money in an economy. **(10 Marks)**

QUESTION 6

State and explain the five (5) macroeconomic policy objectives every economy globally is yearning to achieve. **(15Marks)**