



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

**COURSE TITLE: ECONOMIC THEORY**

**COURSE CODE: ECO 802**

**UNITS: 3 UNITS**

**TIME ALLOWED: 3 HOURS**

**INSTRUCTION: ANSWER QUESTION ONE AND ANY OTHER THREE QUESTIONS**

**QUESTION ONE**

- (a) Differentiate in details between Static and dynamic analysis as used by economists **(8 marks)**
- (b) Explain the distinction between stock and flow variables. **(7 marks)** .
- (c) Assuming the utility function of a consumer is given as:  $U = X_1X_2$ ; such that  $P_1 = 6$  naira,  $P_2 = 12$  naira; and, the income of the consumer at that time is N15,000. Calculate the units of goods  $X_1$  and  $X_2$  that the consumer must purchase and consume in order that he/she maximises his/her utility? **(10 marks)**

**QUESTION TWO**

- (a) Briefly explain Circular flow of economic activities in an economy **(5marks)**
- (b) What is factor market as regards to production economics **( 5marks)**
- (c) Discuss the concept of Marginal Utility **( 5 market)**

**QUESTION THREE**

- (a) What is indifference Curve **(5 marks)**
- (b) Define production function and describe the underlying assumptions. **(10 marks)**

#### QUESTION FOUR

- (a) Explain the concept of Linear programming and state its assumptions **(5 marks)**
- (b) Given that investment expenditure at a given period is  $I=60$  million and the consumption function is given as  $C= 20 + 0.8Y$ . You are required to find the value of equilibrium national income. **(10 marks)**

#### QUESTION FIVE

- (a) What are monetary policy Instrument and list them in details **(8 marks)**
- (b) Describe Externalities and Public goods as one of the failures of market system **(7marks)**

#### QUESTION SIX

- (a) Define Market demand and its schedule **(7 market)**
- (b) Briefly explain Isoquants curve and Isocost line **(8 Marks)**