



**NATIONAL OPEN UNIVERSITY OF NIGERIA**  
**FACULTY OF SOCIAL SCIENCES**  
**DEPARTMENT OF ECONOMICS**  
**2023\_2 EXAMINATIONS**

---

**COURSE TITLE: ADVANCED MACROECONOMIC THEORY**

**COURSE CODE: ECO 712**

**UNITS: 3**

**TIME ALLOWED: 3 HOURS**

**INSTRUCTION: ANSWER QUESTION ONE (1). AND ANY OTHER THREE (3) QUESTIONS. YOU ARE ADVISED TO EXPLAIN EXPLICITLY AND USE DIAGRAM, GRAPHICAL ILLUSTRATIONS OR EXAMPLES WHERE NEEDED**

**INSTRUCTIONS**

**QUESTION 1**

- a. List and explain 4 determinant of consumption and savings. **(5 marks)**
- b. Given a saving function  $S = -\alpha + sY_d$  ;
  - i. Derive consumption function. **(5 marks)**
  - ii. Differentiate between a, b, and bY. **(3 marks)**
- c. Trace the Evolution of Modern Money. **(7 Marks)**
- d. Distinguish between GDP and GNP **(5marks)**

**QUESTION 2**

- (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)**

**QUESTION 3**

- a. Assuming the Nigerian economy has this consumption function  $C = a + 0.7Y_d$ , where her autonomous consumption is ₦200m, private investment in the economy amounted to ₦60m, the government is not running a balanced budget and government expenditure was ₦50m. Tax rate in the economy was at 50%. Calculate the NI of Nigeria for that given year. **(10 Marks)**
- b. Explain 5 factors that influences the supply of money **(5 marks)**

**QUESTION 4**

- a. Differentiate between the Classical approach and the Cambridge approach of demand for money **(5 marks)**
- b. Explain the functions of the CBN in the economy **(5 marks)**
- c. Differentiate between the two sectors and three sectors economic models. **(5 Marks)**

**QUESTION 5**

Given the classical two sector model  $Y = C + I$ ; where  $C = 1250 + 0.75Y$  and  $I = 800$  (7 marks)

- ii. What is the value of multiplier above? **(3Marks)**
- iii. What is the equilibrium level of income? **(5Marks)**