NATIONAL OPEN UNIVERSITY OF NIGERIA
FACULTY OF SOCIAL SCIENCES
DEPARTMENT OF ECONOMICS
2025_2 EXAMINATIONS

COURSE TITLE: ADVANCED MACROECONOMICS
COURSE CODE: ECO 442
UNITS: 2
TIME ALLOWED: 2 HOURS
INSTRUCTIONS: ANSWER QUESTION ONE AND ANY OTHER TWO QUESTION

1 Given that the full employment gross national income is N14.5m. The consumption function consists of N4.5m autonomous, and a 0.04Yd induced consumption, while investment is N4.00m. The government expenditure for the fiscal year is N3m. The National statisticians can estimate tax receipts as a linear function such that T= N0.75 + 0.01Y.

Determine:
i. Equilibrium level of income **(7marks)**
ii. Aggregate consumption and taxes at the level of equilibrium income **(4marks)**
iii. By how much is the economy deflated or inflated? **(3marks)**
iv. What policy measure should the government apply to the result in (iii) above? **(4marks)**
v. Outline the conceptual and practical difficulties faced in measuring national income. **(4marks)**

1b. find the national income level at which savings equals investment. **(8marks)**

2a. Suppose a hypothetical economy has the following National income Parametres;
Private consumption expenditure N50m
Gross capital formation N20m
Gross final expenditure N21m
Net income from abroad N6.5m
Net export N5m
Consumption of fixed capital N2.4m
Net indirect business tax is N1.2m.
Calculate
(i) GDP (ii) GNP (iii) NNP (iv) NI **(10marks)**
b. Differentiate between GNP at factor cost, and at market price **(5marks)**
c. Distinguish between nominal and real Gross Domestic Product (GDP) **(5marks)**

3. a monetary phenomenon known to all economies around the world, and could be seen as a necessary evil in some countries because its mild presence spurs the growth and development of such economies, but the story is not the same in the Nigerian economy
a. What is that monetary phenomenon? **(2marks)**
b. Why is the Nigerian case different? **(10marks)**
c. What policy measures could be adopted to mitigate the effect of the menace? **(8marks)**

4a. Accelerator theory reiterates that aggregate demand and the change in income level are the major determinants of current net investment. Discuss the two versions of the accelerator theory of investment **(14marks)**
b. Enumerate and explain the various pitfalls of the accelerator theory.
(6marks)