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

SUBJECT TITLE: ADVANCED MACROECONOMICS THEORY
SUBJECT CODE: ECO712
TIME ALLOWED: 3 HOURS
INSTRUCTIONS: ANSWER QUESTIONS ONE AND ANY OTHER THREE QUESTIONS.

QUESTION 1

(a). How does the permanent income hypothesis contribute to the understanding of consumption expenditure patterns, and what are its limitations? **(15marks)**
(b). What role does financial literacy play in determining individual savings behavior, and how can policymakers enhance financial literacy to improve savings rates? **(10marks)**
(25MARKS)

QUESTION 2

(a). How do macroeconomic factors such as interest rates and inflation influence investment decisions, and what mechanisms link these factors to changes in investment levels? **(10marks)**
(b). What is the basic premise of the Classical Model in a closed economy, and how does it explain the determination of national income? **(5marks)**
(15MARKS)

QUESTION 3

(a) Calculate the Gross Domestic Product (GDP) for a country using the expenditure approach given the following data:

Consumption (C): N500 billion
Investment (I): N150 billion
Government Spending (G): N 200 billion
Exports (X): N100 billion
Imports (M): N80 billion

(b). Calculate the Net Domestic Product (NDP) given the following data: Gross Domestic Product (GDP): N870 billion (from the previous calculation)
Depreciation: N50 billion
(15MARKS)

QUESTION 4

(a). What are the main limitations of the barter system that led to the development of money? **(10mark)**
(b). How does money serve as a medium of exchange compared to the barter system? **(5marks)**
(15marks)

QUESTION 5

(a). What is the Phillips Curve, and what does it illustrate about the relationship between inflation and unemployment? (10marks)
(b). What is the IS-LM model, and how does it explain macroeconomic equilibrium? (5marks)