



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

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**COURSE CODE:** ECO 722  
**COURSE TITLE:** INDUSTRIAL ECONOMICS  
**CREDIT UNIT:** 2 UNITS  
**TIME ALLOWED:** 2 HRS  
**INSTRUCTION:** ANSWER QUESTION 1 AND ANY OTHER TWO QUESTIONS

**Question 1**

- a. With examples, differentiate between positive and negative externalities
- b. What are the characteristics of public good?
- c. Explain the concept of free rider problem
- d. Briefly explain why federal government fund defense

**Question 2**

- a) Briefly discuss the following profit maximization theories
  - i. Traditional profit maximization theory
  - ii. Managerial utility theory
  - iii. Sales revenue maximization theory
  - iv. Satisficing theory
- b) Given the demand function  $P = 30 - Q$  and the total cost function  $C = 2Q^2 + 10Q + 4$ 
  - I. What output  $Q$ , maximizes total profit and what are the corresponding value of price, profit and total revenue (sales)
  - II. What output, maximizes sales and what are they corresponding value of price, profit and total revenue.

**Question 3**

- a. List and discuss 4 types of diversification
- b. Discuss the advantages and disadvantages of diversification

**Question 4**

- a. Differentiate between equity finance and debt finance
- b. List and explain three reasons why firms embark on merger and acquisition