BOWEN UNIVERSITY, IWO

COLLEGE OF MANAGEMENT AND SOCIAL SCIENCES

ECONOMICS PROGRAMME

BSc DEGREE 2022/2023 ACADEMIC SESSION

SECOND SEMESTER EXAMINATION

Course code: ECN 102   **Course credit: 2**

Course title: Principles of Economics II   **Time allowed: 2 hours**

Instruction: Answer question 1 and any other 2 questions

Question 1
The following data are given about Banana Republic in a year:

Marginal Propensity to consume (MPC)	$c = 0.75$
Autonomous consumption	$C_o = N20m$
Investments	$I_o = N50m$
Government Expenditure	$G_o = N25m$
Export	$X_o = N15m$
Import	$M_o = N10m$
Tax	$T = N2m$

If aggregate consumption, $C = C_o + cY_d$, $Y_d = Y-T$, and "Y" is the National Income's value. You are required to:

i. Express the national income as an equation of all the above components. (1 mark)
ii. Calculate the equilibrium national income of Banana Republic.   (4 marks)
iii. What is the level of national saving at equilibrium income?   (4 marks)
iv. If the total population is 4.5 million, what is the per capita income of Banana Republic?   (4 marks)
v. Suppose the MPC increases, how will consumption change?   (4 marks)
vi. Will the equilibrium of national income rise or fall if there is a big increase in the value of imports?   (4 marks)
vii. Write short notes on each of the followings: disposable income; investment; and export.   (9 marks)

Question 2

Given that the autonomous consumption (C_o) in the Naija Republic is N4,000, while the marginal propensity to consume (c) is 0.2. A table of values showing the levels of income is as follows:

Income	C	S	APC	APS	MPC	MPS
N	N	N				

20,000						
40,000						
60,000						
80,000						
100,000						
120,000						

You are required to:

For the given levels of income, compute the consumption, savings, and average propensity to consume;

Marginal propensity to consume,

The average propensity to save; and the

Marginal propensity to save.

Assume that income is split between consumption and saving. (20 marks)

Question 3
i. What is trade by barter? 3 marks
ii. Why has barter been largely replaced by the use of money? 8 marks
iii. What motives lead people to hold money and what influences the amount they wish to hold? 9 marks

Question 4.
i. As an Economist, what did you understand by the term 'inflation'? (5 marks)
ii. What are the causes of inflation in Nigeria? 5 marks
iii. What are the main causes of stagflation in Nigeria 5 marks
iv. Discuss the Phillips curve. 5 marks

Question 5
According to A. C. Pigou, there is a close relationship between economic welfare and national income, and the effect of national income on economic welfare can be studied in two (2) ways:
   I. By change in the size of the National Income;
   II. By change in the distribution of the National Income.
You are required to discuss in detail the above two methods. **10 marks each**