CRAWFORD UNIVERSITY
FAITH CITY, IGBESA, OGUN STATE

HARMATTAN SEMESTER EXAMINATION 2016/2017 SESSION

BUS 309: MACROECONONMICS 1 **Units: 3**

Instruction: Answer Question No. 1 and any three from others. Time Allowed: $2\frac{1}{2}$hrs

1. (a) Derive mathematically the equilibrium situation in a two-sector economy, given that Y = C + I, where C = a + bY and I = Io. (5mks)
   (b) Use the answer obtained in (i) above to further derive mathematically the multiplier (k) for the economy. (7mks)
   (c) Suppose b = 0.75, determine the value of k. (3mks)
   Total = 15mks

2a. Examine any five (5) macroeconomics goals, in your opinion, the federal government of Nigeria should pursue to achieve economic growth of the country. (10mks)
b. Distinguish between these concepts: Gross Domestic Product (GDP) and Gross National Product (GNP). (5mks)
Total = 15mks

3a. Define 'Consumption'. ($2\frac{1}{2}$mks)
b. With clear examples discuss any five (5) objective factors that determines consumption behaviour. ($12\frac{1}{2}$mks)

4a. Given a three-sector economy, Y = C + I + G; where C = a + bY, I = Io, G = Go, T = t + tY. Mathematically show that at equilibrium

$$Y = \frac{1}{1 - b(1 - t)}[Io + Go - bTo]$$

(8mks)

b. If a = 100, Io = 50, To = 100, Go = 150, b = 0.75 and t = 0.5, calculate the equilibrium income (Y). (7mks)
Total = 15mks

5a. Distinguish between the Relative Income Hypothesis (RIH) and the Life Cycle Hypothesis (LCH). (10mks)
b. Discuss briefly, the relevance of the Relative Income Hypothesis (RIH) to average Nigerian business manager in his investment decisions. (5mks)
Total = 15mks

6a. With the aid of a well-labelled diagram, describe the Phillip's curve. (9mks)
b. Concisely present three (3) objectives that the International Monetary Fund (IMF) hopes to achieve. (6mks)
Total = 15mks