NATIONAL OPEN UNIVERSITY OF NIGERIA
FACULTY OF SOCIAL SCIENCES
DEPARTMENT OF ECONOMICS
SEPTEMBER, 2020_1

COURSE TITLE: MACROECONOMIC THEORY II
COURSE CODE: ECO 342
UNITS: 3
TIME ALLOWED: 3HOURS

INSTRUCTION: ANSWER QUESTION ONE (1) AND ANY OTHER THREE QUESTIONS.

QUESTION ONE
a. Explain the following concepts of national income:

i.	Gross domestic product	**(2½ marks)**
ii.	Gross national product	**(2½ marks)**
iii.	Personal income	**(2½ marks)**
iv.	Net national income	**(2½ marks)**
v.	National income accounting	**(2½ marks)**
vi.	Disposable income	**(2½ marks)**

b. Given that $Y = C + I + G + (X\text{-}M)$
$C = a + bYd$
$T = To + ty$
$I = Io$
$G = Go$
$R = Ro$
$X = Xo$ and $M = Mo$

i. Algebraically derive the national income equilibrium.   **(2½ marks)**

ii. If $a = 210$, $b = 0.7$, $To = 80$, $R = 90$, $I = 500$, $G = 300$; $X = 320$ and $M = 250$ while $t = 0.15$. Calculate the national income equilibrium.   **(2½ marks)**

iii. Calculate the effect on income if tax increases by N70b.   **(2½ marks)**

c. What are the differences between gross national product (GNP) and real gross national product?   **(2½ marks)**

QUESTION TWO
a. Explain the three methods of calculating National income accounting. **(7½ marks)**
b. What are the difficulties encountered in calculating national income in Nigeria?
(7½ marks)

QUESTION THREE
a. What are the types of unemployment? **(8 marks)**
b. Analyse the causes of unemployment in Nigeria. **(7 marks)**

QUESTION FOUR
a. Define inflation. **(2½ marks)**
b. What is deflation? **(2½ marks)**
c. With the aid of Philips curve, explain the trade-off between unemployment and inflation.
(10 marks)

QUESTION FIVE
a. Explain the main motives for holding money. **(7½ marks)**
b. Evaluate the determinants of demand for money **(7½ marks)**

QUESTION SIX
a. Discuss the term Balance of Trade? **(2½ marks)**
b. Explain the term "Balance of Payments" **(2½ marks)**
c. Compare Balance of Trade with Balance of Payments **(10marks)**