

## NATIONAL OPEN UNIVERSITY OF NIGERIA FACULTY OF SOCIAL SCIENCES DEPARTMENT OF ECONOMICS 2020\_2 EXAMINATION...

COURSE TITLE: ADVANCED MICROECONOMIC THEORY

**COURSE CODE: ECO 711** 

UNITS: 3

TIME ALLOWED: 3 HOURS

## INSTRUCTION: ANSWER ONE AND ANY OTHER THREE QUESTIONS

- 1. Suppose that the unit price of a commodity is defined by P = 100-2Q and the total cost is given as  $TC = 100-0.5Q^2$ . Apply the first-order condition and second order condition for profit maximization and determine the profit-maximizing level of output. (25 marks).
- 2a. What is welfare economics? (3 marks)
- b. Distinguish between comparative static and dynamic equilibrium analysis (6 marks)
- c. Differentiate between income consumption curve and price consumption curve (6 marks)
- 3a. Define the term externalities. (3 marks)
- 3b. Discuss the effects of externalities and how can externalities problems be solved. (6 marks)
- 3c. Discuss three types of externalities (6 marks)
- 4a. State five assumptions of linear programming for production. (5 marks)
- b. State five advantages and disadvantages of linear programming. (10 marks)
- 5a. Explain the term cost benefit analysis. (2 marks)
- b. State four steps taken and three cost incurred in cost benefit analysis. (7 marks).
- c. Outline three merits and demerits of cost benefit analysis. (6 marks).
- 6. Write short notes on the following:
- a. Law of Diminishing Marginal Utility and Average Utility. (6 marks).
- b. Total Utility and Marginal Utility. (6 marks).
- c. State three assumptions of the Law of Diminishing Marginal Utility. (3 marks).