



Course Code: ECO 102

Credit Units: 3

Course Title: Introductory Economics II

Instructions: Attempt all questions in section A and any FIVE questions in section B.

Time Allowed: 2 $\frac{1}{2}$ hours

Date: 26th July, 2017

SECTION A

1. Gross Domestic Product is _____
2. Capital goods are _____
3. One factor that can lead to increase in growth or shift the production possibility frontier outwards is _____
4. The ratio of a specific measure of output, such as gross domestic product to a specific measure of input, such as labour is called _____
5. Simon Kuznet argued that one-tenth of the increases in economic growth came from increases in quantities of labour and capital, the other nine-tenths come from increase in _____ of labour and capital
6. If the nominal interest rate is 5 per cent and the inflation rate is two per cent, then the real interest rate is _____
7. One cause of inflation arising from an increase in aggregate demand is _____
8. _____ unemployment results from fluctuations in employment caused by the business cycle.
9. Using the expenditure approach, show the calculation for gross domestic product _____
10. Net exports are _____
11. The GDP price index [deflator] is calculated as _____
12. Unemployment is _____
13. A sustained rise in price level caused by a rightward shift of the aggregate demand curve is _____
14. Two sources of unemployment are _____ and _____
15. Marginal Propensity to Consume is _____

ANSWER TRUE OR FALSE

16. A flow variable measures a value over a period of time such as your salary per month
17. A stock variable measures something at a particular period of time such as the money you have in your pocket right now

P.T.O

18. The rise or fall of economic activity related to the growth trend of an economy is known as the business cycle
19. A general increase in an economy's price level is known as deflation
20. A phase of economic activity during which the economic activity increases is known as a contraction

SECTION B

PROVIDE SHORT ANSWERS for any FIVE of the following

1. Three sources of productivity in an economy
2. Technological change does not lead to unemployment. Discuss
3. Explain how the supply and demand for loanable funds determine equilibrium interest rate.
4. Give an explanation of how a change in aggregate demand would cause deflation [or inflation].
5. Explain why intermediate goods and services are not included generally in the computation of gross domestic product.
6. What are the two sources of inflation? How would you illustrate them graphically
7. Explain carefully why borrowers are willing to pay a higher interest rate if they expect inflation rate to increase in the future
8. Determine the impact on the following if 1 million formerly unemployed workers decide to return to school full time and stop looking for work on
 - a. Labour force participation rate
 - b. Size of labour force
 - c. Unemployment rate
9. Determine the effect of the following on aggregate demand curve. That is, will it cause a shift, a movement or have no effect on the aggregate demand.
 - a. The price level changes
 - b. Consumer confidence declines
 - c. The supply of resources increases
10. Explain the effects of the following how they increase or decrease economic growth [GDP growth]
 - a. Nigeria's reliance on oil means over 90 per cent of its export earnings come from oil, there is a fall in the price of oil
 - b. Nigerian government spending rises by 20 per cent.