LEAD CITY UNIVERSITY

Faculty of Social and Management Sciences
Department of Economics

COURSE PARTICULARS

Course Code:	ECO 211
Course Title:	Introduction to Microeconomics II
Number of Units:	2
Status:	Compulsory

LECTURER DETAIL

Name:	Mrs A. O. Oduyoye-Ejumedia
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COURSE DESCRIPTION

Theory of consumer behavior; theory of production; costs of production; theory of the firm; revenue and profit maximization, perfect competition, monopoly, monopolistic competition, oligopoly and duopoly; income distribution; general equilibrium and welfare economics.

COURSE OBJECTIVES

1. To introduce students to the foundation of theoretical reasoning in microeconomics.
2. To intimate students with basic microeconomic theories.
3. To familiarize students with simple economic models.

ASSESSMENT

Tests and Assignment - 30 Marks
Examination - 70 marks
Total - 100 marks

TEACHING PLAN

Week 1-2	***Theory of consumer Behaviour I*** • Utility theory

	• Indifference Analyses • Marginal rate of substitution
***Week*3-4**	***Theory of consumer Behaviour II*** • Budget constraint • Income and Substitution effects • Utility maximization • Derivation of Demand Curve
Week 5-6	***Production Theory I*** • Production function • Production cost: short and long run • Total production, Average production, Marginal Production • Revenue • Profit Maximization
Week 7-8	***Production Theory II*** • Isoquant • Isocost • Effects of changes in price and/or of budget • Production maximisation
Week 9-10	***Market Structures*** • Perfect Competition • Monopoly • Imperfect competition • Oligopoly and Duopoly • Monopolistic Competition • Price Discrimination
Week 11-12	**Income Distribution**
Week 13	**Welfare Economics**
Week 14	**Revision**

READING LIST

i. Campbell, O A (2008). *Basics of Economics.* College Press Publishers, Jericho, Ibadan.
ii. Lipsey and Crystal (2002). *Economics*. 3rd Edition Prentice Hall, NJ
iii. Samuelson P. and Nordhaus W. (2004). *Economics.* 19th Edition, Prentice Hall. N.J
iv. Koutsayiannis, A. (1979). *Modern Macroeconomics.* 2nd Edition, Macmillan.
v. Frank, R and Bernanke, B. (2001) *Principles of Economics.* Gary Burke Publishers.

TUTORIAL QUESTIONS

1a. Distinguish between the cardinal and ordinal measures of utility?

b. Write short notes on the following:

i. Profit Maximization ii. Inferior goods iii. Complementary goods iv. Economies of scale

2a. Explain the law of diminishing utility?

b. What are the critics of the cardinal measurement of utility?

3. Suppose the production function of a detergent manufacturing firm is estimated as:

$$Q = KL + K + 2L$$

Assuming the firm's total budget is ₦30 million, assume further that the wage per labour is ₦40 and rent on K is ₦100 which can be used in the production of detergent, find: (a) the optimal input combinations that will maximize the production of detergent; (b) the maximum output obtained from the budget.

4a. Use the Edgeworth box to explain consumer equilibrium under the general equilibrium analysis.

b. Write explicitly on diminishing marginal rate of substitution?

5a. A consumer has the following utility function $U = 10x_1x_2$ subject to an income (Y) constraint: $120 = 3x_1 + 5x_2$, where U = utility, x_1 and x_2 are two commodities. Derive the partial derivatives of utility with respect to x_1, x_2 and Y.

b. State the assumptions of a perfect market/competition.

6a. Distinguish between the total utility and the marginal utility. Show that total utility is maximum when marginal utility equals zero.

b. What are the properties of an indifference curve?

7a. Using the indifference curve analysis, explain how exchange of commodities among individuals can take place.

b. Given a production function $Q= f(X_1 X_2) = X_1^2 + 5X_1 + X_2 + 4X_2^2$. If the prices of the related input X_1 and X_2 are 5 Naira and 10 Naira respectively. Determine how many unit of X_1 and X_2, the firm may employ to maximize the production function subject to a budget constraint of 1000 Naira.

8a. What is an isoquant? (b) State the characteristics of an isoquant. (c) How are profits maximized in a monopolistic market in the short run?

9a. With the aid of an appropriate diagram, explain the stages of production in the short-run.

b. Explain the following concepts with appropriate diagrams: (i) the budget line (ii) the indifference curve (iii) the price consumption curve (iv) the expansion path.

10a. Considering the submissions of the different schools of thought, how can a consumer maximize his utility?

b. What are the critics of the cardinal measurement of utility?

11a. With the aid of an appropriate diagram, explain the income and substitution effects of a change in price on the quantity demanded of a commodity X.

b. What are the criterias/degrees of classifying a market?

12a. Discuss how the monopolist maximizes profit in the short-run.

b. Suppose the PHCN faces the following demand (D) and cost (C) function:

$$P = 50 - 4Q \quad ; \quad C = 5 + 10Q$$

Use the information to: i. find the PHCN's optimum quantity Q and price P ii. find the PHCN's maximum profit and iii. show that profit is maximized at that output.