

Economics & Business Environment
Foundation-I

OBJECTIVES:

To provide the students with a basic knowledge of economic theories to enable them to:

- a) Understand the economic environment in which business and public organisations operate;
- b) Appreciate economic practices in country's economy and acquire correct knowledge of government fiscal and monetary policy with its effects on business environment.

ABILITY REQUIRED:

General appreciation.

WEIGHTAGE

CONTENTS

	1.	<i>MICRO ECONOMICS (35 Marks)</i>
5	1.1	NATURE AND SCOPE OF ECONOMICS: Nature, scope and methods of economics, micro and macro economics.
5	1.2	CONSUMER BEHAVIOUR AND ITS ANALYSIS: Human wants, characteristics of economic wants, utility, characteristics of utility, indifference curve technique. Law of diminishing marginal utility, exception and limitations of the law of diminishing marginal utility, law of equi-marginal utility, limitation and importance of law.
5	1.3	SCALE OF PRODUCTION: Small scale and large scale of production, their merits and demerits, internal and external economics, production function, laws of return, law of variable proportions.
20	1.4	DEMAND, SUPPLY, PRICE, MARKET COST AND REVENUE: Meaning of demand, law of demand, exceptions and limitations of the law, shifting of demand curve, causes of change in demand, elasticity of demand and its measurement, determinants of demand elasticity, importance of elasticity of supply. Meaning of supply, law of supply, shifting of supply curve, causes of changes in supply, elasticity of supply and its measurement, determinants of elasticity of supply.

Meaning of market, kinds of market, firm's product, relationship between total marginal and average product, cost of production, short run cost curve, long run cost curve, revenue under perfect and imperfect competition, equilibrium condition under perfect competition, short run and long run equilibrium of the firm/price - output determination under monopoly, price discrimination, short run and long run equilibrium of the firm under monopolistic competition oligopoly.

2. MACRO ECONOMICS (25 Marks)

5 2.1 CONCEPT OF NATIONAL INCOME:

Definition of national income, gross national product, gross domestic product, net national product, personal income, disposable personal income, national income at constant and current prices, measurement of national income, precautions and difficulties in measuring national income, general theory of income & employment.

10 2.2 MONEY AND BANKING:

Nature and functions of money, Quantity Theory of money. inflation, deflation, causes and control of inflation, inflationary and deflationary gaps, relationship between inflation and unemployment, Phillips Curve, creation of credit by commercial banks, definition and functions of central bank, how central bank controls money supply, goods and money market equilibrium, money market and capital market.

10 2.3 INTERNATIONAL TRADE:

Difference between domestic and international trade, principle of comparative advantage, mechanism of foreign exchange rate, import control and protective tariffs, GATT, international trade in developing countries.

3. PAKISTAN ECONOMICS (40 Marks)

10 3.1 AGRICULTURE SECTOR:

Role of agriculture in economic development, performance of agriculture, problems of agriculture sector.

Need of credit, type of agriculture credit, problems and solutions of rural credit, role of ADBP in supply of rural credit, case for and against agriculture tax.

Agricultural marketing, its problems and solution.

10 3.2 INDUSTRIAL SECTOR:

Growth of industrial sector, causes of industrial backwardness, industries, nationalisation of industries, privatisation of state owned enterprises, industrial financial institutions, privatisation & deregulation.

10 3.3 BANKING AND FINANCE:

Role of commercial banks in economic development, money market and capital market, meaning and sources of capital formation & deficit financing, role and functions of State Bank of Pakistan in economic development, monetary policy, State Bank as a controller of credit, inflation, interest based investment, modes of finance.

10 3.4 FOREIGN TRADE AND ECONOMIC ASSISTANCE:

Balance of trade, balance of payments, terms of trade, rupee exchange rate, convertibility of rupee, devaluation of Rupee.

Form of foreign economic assistance, source of foreign loans, foreign aid, cost and benefits of foreign economic assistance, foreign private investment.

CORE READINGS:

AUTHORS:

PUBLISHER :

Economics

Paul A. Samuelson,
William D. Nordhaus &
Michael J. Mandel

McGraw-Hill, Co. Inc.,
Princeton Road,
S-1 Hightslown,
NJ 08520
New York

Economy of Pakistan

Prof. Dr. Khawaja Amjad
Saeed,

Institute of Business Management,
G.P.O. Box No. 1164,
Lahore

ADDITIONAL READINGS:

Micro Economics 4th Edition	David N. Hyman	McGraw-Hill, Co. Inc., Princeton Road, S-1 Hightslown NJ 08520 New York
Macro Economics 4th Edition	David N. Hyman	McGraw-Hill, Co. Inc., Princeton Road, S-1 Hightslown NJ 08520 New York
Economics	David Begg, Stanley Fischer & Rudiger Dornbuch	Mc-Graw Hill book Co. Europe shoppenhanaers Road, Maidenhead, Berkshire SL6 2QL England
Modern Economics Theory	K. K. Dewett	Shyam Lal Charitable trust, Ram Nagar, New Delhi-11055
Economics	Campbell R. McConnell & Stanley L. Brue	McGraw-Hill, Co. Inc., Princeton Road, S-1 Hightslown NJ 08520 New York.