

## STAGE-1

### S-102 - BUSINESS ECONOMICS

#### i. Introduction:

This course is designed to focus on fundamentals of economic concepts, and develop understanding and skill of the students, in order to enable them to identify and correlate various economic issues, to cost and management accounting for taking managerial decisions.

#### ii. Objectives:

This course enables the students to:

- identify how a market economy functions,
- develop an understanding of the economic environment, under which business operates,
- develop the economic analysis for the guidance and information of decision-makers, and
- identify the economic factors, influencing the behaviour and performance of firms and industries.

#### iii. Outcomes:

On completion of this course, students should be able to:

- explain the basic concepts of scarcity choice,
- describe the consumer behaviour and its analysis, differentiate between small and large-scale production,

- identify and explain types of internal and external economies,
- explain law of demand and causes of change in demand other than change in price,
- describe types of elasticity of demand, determinants and measurement of elasticity and law of supply, elasticity,
- explain the cost of production,
- distinguish between implicit costs and explicit costs,
- explain how under perfect competition the equilibrium price of a commodity is equal to its marginal cost and average cost of production,
- explain the functioning of a market economy,
- explain how the price system works by applying appropriate economic concepts and principles,
- identify macro-economic concepts to explain the measurement and determination of national income,
- explain inflation and its causes,
- differentiate between domestic and international trade,
- explain the problems and performance of industrial sector in Pakistan and to
- explain foreign private investment and its impact on Pakistan economy.

#### INDICATIVE GRID:

SYLLABUS CONTENT AREA	WEIGHTAGE
<b>SECTION-A</b> <b>MICRO-ECONOMICS</b> 1. Nature and Scope of Economics 2. Consumer Behaviour and its Analysis 3. Demand, Supply and Price Determination 4. Scale of Production 5. Cost and Revenue 6. Market Structure, Price and Output Determination	40%
<b>SECTION-B</b> <b>MACRO-ECONOMICS</b> 7. Concept of National Income 8. Keynes Theory of Employment and National Income 9. Money Banking and Finance 10. International Trade	30%
<b>SECTION-C</b> <b>ECONOMY OF PAKISTAN</b> 11. Growth, Structure and Performance of Pakistan Economy 12. Agriculture Sector 13. Industrial Sector 14. Foreign Trade and Economic Assistance	30%
<b>TOTAL</b>	<b>100%</b>

**Note:** The weightage shown against each section indicates, study time required for the topics in that section. This weightage does not necessarily specify the number of marks to be allocated to that section in the examination.

#### CONTENTS

##### SECTION-A

##### MICRO-ECONOMICS

##### 1. Nature and Scope of Economics

Basic concepts- economic wants and allocation of scarce resources. Natural resources, labour capital and enterprise. Production possibility frontier and concept

##### 3. Demand, Supply and Price Determination

Demand- Determinants of demand, law of demand, shift in demand, elasticity of demand, measurement of

of opportunity cost. Key features of market, planned and mixed economy-merits and demerits.

##### 2. Consumer Behaviour and its Analysis

Utility-kinds and aspects. Cardinal and ordinal approaches of utility. Law of diminishing marginal utility. Indifference curve analysis and consumer equilibrium. Price effect, income effect and substitution effect.

elasticity of demand. Percentage and total outlay methods. Brief description of cross and income elasticity of demand. Determinants and importance of

elasticity of demand. Supply stocks and supply. Determinants of supply, law of supply, shift in supply. Elasticity of supply-Determinants of elasticity of supply. Market equilibrium-surplus and shortage conditions. Consumer and Producers surplus.

#### 4. Scale of Production

Production function. Small and large scale production-advantages and disadvantages. Internal and external economies of scale. Laws of returns. (Special emphasis on law of diminishing returns). Very brief introduction of returns to scale.

#### 5. Cost and Revenue

Average, marginal and total cost. Marginal, average and total revenue in perfect and imperfect competition. Concept of implicit and explicit cost.

#### 6. Market Structure, Price and Output Determination

Characteristics of perfect and imperfect competition (monopoly, oligopoly and monopolistic competition) in short run and long run. Price discrimination in monopoly.

### SECTION- B

#### MACRO- ECONOMICS.

#### 7. Concept of National Income

Circular flow of national income. Concepts of national income GDP, GNP, NNP, NI at factor cost and PI. Methods to measure national income Difficulties and importance.

#### 8. Keynes Theory of Employment and National Income

Consumption saving and investment function. Investment multiplier, acceleration, inflationary and deflationary gaps, taxation, budget.

#### 9. Money Banking and Finance

Nature and functions of money, quantity theory of money; inflation- its causes , effects and measures to control. Functions of commercial banks, credit creation

and role of commercial banks in economic development of Pakistan. Functions of central bank , monetary policy and role of central bank in the economic development of Pakistan. Brief introduction of money and capital market.

#### 10. International Trade

Balance of trade and balance of payment, causes of adverse balance of payment and methods to correct them. Exchange rate determination. Protectionism or barriers to free international trade. Arguments in favor or against protection. WTO.

### SECTION- C

#### ECONOMY OF PAKISTAN

#### 11. Growth, Structure and Performance of Pakistan Economy

Growth and structure of economy- overview of economic policies in Pakistan.

#### 12. Agriculture Sector

Role of agriculture in economic development; performance and problems of agriculture sector; needs and types of agriculture credit; problems and solutions of rural credit, case for and against agriculture tax. Role of ZTBL in the supply of rural credit. Agriculture marketing, its problems and measures for its improvement.

#### 13. Industrial Sector

Overview of industrial sector of Pakistan; performance and problems of industrial sector; causes of industrial backwardness; privatization of state-owned enterprises; needs and types of industrial credit.

#### 14. Foreign Trade and Economic Assistance

Exchange rate and convertibility of Pak rupee; devaluation and its impact on Pakistan's economy; forms of foreign economic assistance, cost and benefit of foreign economic assistance; foreign private investment and its impact on Pakistan's economy.

### Recommended Books

CORE READINGS		
TITLE	AUTHOR	PUBLISHER
Economics	Paul A. Samuelson and William D. Nordhaus	McGraw-Hill Companies, Inc. 1221 Avenue of the Americas, New York, NY 10020.
Economics	David Begg / Stanley Fischer & Rudiger Dornbusch	McGraw Hill Book Co., Europe Shoppenhangers Road, Maidenhead, Berkshire SL6 2QL, England.
Economics	Campbell R. McConnell/Stanley L. Brue	McGraw-Hill, Co. Inc., Princeton Road, S-1 Hightstown, NJ 08520, New York.
Economics for Business	PBP	Professional Business Publications, Lahore.
Economy of Pakistan	Prof. Dr. Khawaja Amjad Saeed	Distributed by Oxford University Press, Karachi.
Pakistan Economic Survey (Latest)	Finance Division, Economic Advisor Wing	Government of Pakistan.
Economy of Pakistan	Saeed Nasir and Kamal Haider	-----

ADDITIONAL READINGS		
TITLE	AUTHOR	PUBLISHER
Pakistan: Economic and Social Statistics	Prof. Dr. Khawaja Amjad Saeed	Institute of Business Management, G.P.O. Box No. 1164, Lahore.
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.
Modern Economic Theory	Kewal Krishan Dewett/Adarsh Chand	Shyam Lal Charitable Trust, Ram Nagar, New Delhi-11055.
Issues in Pakistan's Economy	S. A. Zaidi	Oxford University Press, Karachi.

