

SEMESTER - 1

BUSINESS ECONOMICS [BML-102]

INTRODUCTION

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

OBJECTIVE

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.

OUTCOMES

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

- apprehend the basic economic concepts
- learn the concept of organisation and organizational goals
- understand the concept of consumer behaviour and its analysis with the changing price of goods and services
- explain law of demand and supply, causes of change in demand other than change in price and formation of equilibrium price,

- describe types of elasticity of demand and supply, determinants and measurement of elasticity and influences on it,
- understand the concept of price instability and price stabilization policies,
- distinguish between different types of cost and cost behaviours, and the impact of Short run and long run costs on industry structure,
- understand the application of cost volume profit analysis and profit maximisation approaches ,
- explain market structure and price output determination;
- identify the factors affecting national income;
- Explain functions of consumption, saving and investment.
- understand how commercial banks create credit;
- understand the role of central banks and its influence on financial markets
- discuss the concept of public finance, unemployment and inflation;
- distinguish between fiscal and monetary policies;
- discuss the concept of balance of payment and terms of trade;
- explain the role of global financial institutions and impacts of globalisation.
- understand the concept of large & small scale of production and related laws

INDICATIVE GRID

PART	SYLLABUS CONTENT AREA	WEIGHTAGE
A	MICRO-ECONOMICS	60%
	1. Nature and Scope of Economics	
	2. Consumer's Behavior and its Analysis	
	3. Organization	
	4. Demand and Supply Analysis	
	5. Price Elasticity	
	6. Price Instability and Government Measures	
	7. Scale of Production	
	8. Cost and Revenue Analysis	
	9. Market Structure; Price-Output Determination	
10. Profit Maximization		
B	MACRO-ECONOMICS	40%
	11. Concept of National Income	
	12. Theory of Income and Employment	
	13. Money, Banking and Financial System	
	14. The Role of Government	
15. International Context		
TOTAL		100%

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

- Definition of Economics
- Allocation of scarce resources and wants
- Terminology of Economics; land, labor, capital and enterprise
- Concept of Opportunity Cost and Production Possibility Curve.

2. Consumer's Behavior and Its Analysis

- Utility and its kinds

- Law of Diminishing Marginal Utility
- Consumer's equilibrium through Indifference Curves Techniques
- Income Effect, Price Effect and Substitution Effect
- Consumer's surplus.

3. Organization

- Forms of business organizations
- Goal comparison between shareholders and Managers
- Stakeholders Role in setting Organization Goals
- Risk and Return Curve
- Impact of Financial Performance of company on share prices.

4. Demand and Supply Analysis

- Concept of Demand and Demand Curve
- Concept of Supply and Supply Curve
- laws of Demand and supply
- Equilibrium Price
- Momentary, short-run and Long-run equilibrium price.

5. Price Elasticity

- Concept of Price elasticity of demand
- Kinds of elasticity of demand
- Methods of measuring elasticity
- Cross Elasticity and Income Elasticity of Demand
- Supply v/s Stock
- Elasticity of Supply
- Measurement of elasticity of Supply
- Producer's surplus
- Market Equilibrium.

6. Price Instability and Government Measures

- Price stability v/s price instability
- Economic impacts of price instability Reasons for price instability for primary goods
- Minimum and maximum pricing policies of government in the goods market
- Minimum and Maximum Pricing policies of government in the factor market.

7. Scale of Production

- Concept of Small and Large scale Production
- Advantages and disadvantages of Large Scale Production
- Economies of Scale
- Law of Diminishing Marginal Returns
- Internalities and externalities
- Government measures to deal with externalities.

8. Cost and Revenue Analysis

- Concept of cost of Production
- Average, total and Marginal Cost
- Sunk v/s Floating Cost
- Opportunity Cost
- Implicit v/s Explicit cost
- Average, Total and Marginal Revenue in Perfect and Imperfect competition
- Long-run and Short-run cost behavior.

9. Market Structure; Price-Output Determination

- Characteristics of Perfect and Imperfect Competition (Monopoly, Duopoly, Oligopoly and Monopolistic Competition)
- Price-output determination under Short and Long Period
- Effects of Monopoly

10. Profit Maximization

- Cost-Volume Profit Analysis
- Methods of business Integration
- Influence of e-Business on cost and Market behavior.

SECTION-B

MACRO-ECONOMICS

11. Concept of National Income

- Different concepts of National Income
- Measurement of National Income
- Difficulties in measurement with special reference to under developed countries
- Circular Flow of Income
- Stages of Trade Cycle and its influences on business environment

12. Theory of Income and Employment

- Consumption, saving and investment function
- Keynes' Theory of Full Employment
- Unemployment
- Investment Multiplier
- Acceleration, Inflationary and Deflationary gaps & their causes and measures to control.

13. Money, Banking and Financial System

- Nature and Functions of money
- Quantity Theory of Money
- Inflation and its control
- Finance for consumers
- Finance for firms
- Finance for government
- Role of Financial Intermediaries
- Functions of Commercial Banks and credit creation
- Functions of Central and commercial Bank for Economic development and growth
- Global banking crises

14. The Role of Government

- Government Macro-economic Policy goals
- Fiscal Policy
- Monetary Policy
- Foreign Exchange Policy

15. International Context

- Balance of Trade and Balance of Payments
- Causes of Adverse Balance of Payments and its correction
- Terms of Trade
- Global Financial Institutions
- Trade Agreements and Trade Block
- Exchange Rate Determination

TEACHING METHODOLOGY: The faculty is advised to teach the topics in the mode of case studies based on knowledge and application with practical approach.

RECOMMENDED BOOKS

CORE READING		
TITLE	AUTHOR	PUBLISHER
CIMA, UK Study Text	---	BPP
Relevant Study Text	---	Kaplan Publishing
Economics	Paul A. Samuelson / William D. Nordhaus	McGraw-Hill
ADDITIONAL READINGS		
Modern Economic Theory	Kewal Krishan Dewett /Adarsh Chand	S. Chand & Company
Pakistan Gulf Economist magazine.	---	---