**Purbanchal University**

**BBS First Year**

**Course Title : Business Economics**

**Area of Study : Core**

**LH : 150**

**Course Objectives**

This course aims to provide students’ fundamental approaches of micro and macroeconomic issues of

Economics

1. **MICROECONOMICS**

**UNIT I: Introduction LH 9**

Concept and Types of Micro and Macro Economics; Differences and Interdependence between Micro and Macroeconomics; Uses of Micro and Macro Economic Analysis

**UNIT II: Demand Analysis LH 16**

Concept of Demand Function, Individual demand and market demand; Determinants of demand, Use of demand analysis in Business decision,; Concept of elasticity of demand, Types of Price, Income and Cross Elasticity and their measurements; Uses of different types of Elasticity in business decisions.

**UNIT III: Consumer’s Behavior LH 13**

Cardinal and Ordinal utility analysis, Indifference Curve: Concept and Properties, MRSxy;

Consumer’s Equilibrium by Indifference curve approach, Budget line, shift in budget line; Price, Income and Substitution effects, Decomposition of price effect into income effect and substitution effect; Criticism of Indifference curve.

**UNIT IV: Cost and Revenue Curves LH 14**

**Cost curves:**

Concept of cost - Money cost, Real cost, Explicit cost, Implicit cost, opportunity cost, Accounting cost and Economic Cost; Derivation of short run and long run cost curves, Relationship between average and marginal costs; Reasons of U shaped LAC.

**Revenue curves:**

Concept of Total, Average and Marginal Revenue Curves; Relationships between Average and Marginal Revenue under different market situations

**UNIT V: Supply Curves LH 8**

Concept of supply, Individual supply and market supply; short run supply curve and its derivation; Long run supply curve and its derivation; Elasticity of supply: Concept and Measurement.

**UNIT VI: Theory of Production LH 12**

Concept of production function, Law of Variable proportions – Concept and stages; Laws of Returns to scale; Isoquant - Concept and properties; Least cost combination of factors; Producer’s equilibrium

**UNIT VII: Product pricing LH 12**

Characteristics of Different markets, Equilibrium of Firm and industries

**Perfect competition:** Pricing under perfect competition (Short Period and Long Period)

**Monopoly:** Concept and Pricing under (Short Period and Long Period)

**Discrimination Monopoly:** Concepts, Conditions, price and output determination

**Monopolistic Competition:** Concept, Price and Monopoly output determination (Short Run and Long Run), Underutilization of excess capacity

**UNIT VIII: Factor Pricing LH 12**

**Rent:** Modern Theory of Rent and Quasi Rent

**Wage:** Marginal Productivity Theory, Exploitation of Labor

**Interest:** Liquidity Preference Theory, Modern Theory of Interest

**Profit:** Innovation Theory of Profit

1. **MACRO ECONOMICS**

**UNIT IX: National Income LH 9**

Various Concepts of NI (Concept of Market price, Factor cost, Constant Price, GDP, GNP, NNP, NI, PI, DI)

Computation of NI by product, Income and Expenditure Methods and Importance of NI Accounting,

Difficulties in Measurement

**UNIT X: Theories of Employment LH 11**

**Classical Theory:** Concept and criticism

**Keynesian Theory:** Concept and criticism

**Consumption Function:** Concept, APC and MPC, Determinants of Consumption Function, Keynes’ Psychological Law

**Investment Multipliers:** Concept, Uses and Reverse Working

**UNIT XI: Saving LH 4**

Concept, Determinants and Paradox of Thrift

**UNIT XII: Investment LH 4**

Concept and Types, Approach of MEC (Marginal Efficiency of Capital)

**UNIT XIII: Business Cycle LH 4**

Concept, Features and Phases

**UNIT XIV: Inflation LH 12**

Concept, Types, Causes, Effects and Remedies, Inflationary Gap

**UNIT XV: Fiscal Policy: LH 4**

Concept and objectives; Significance in Developing Economics (Use of fiscal policy for solving economic fluctuations and inflation, unemployment)

**UNIT XVI: Monetary Policy: LH 6**

Concept and objectives and instruments, Significance in developing countries (Use of fiscal policy for solving economic fluctuations and inflation, unemployment)

**Recommended Books**

Ahuja, H.L. ***Advanced Economic Theory,*** S. Chand and Company

Koutsoyiannis, A., ***Modern Micro Economics,*** English Language Book Society, Macmillan

Jhingan, M.L., ***Micro Economic Theory***, Educational Books

Vaish, M.C***., Macroeconomic Theory***

Watson, ***Price Theory and Its Uses,*** AITBS Publishers and Distributors

Mithani, D.M., ***Monetary Theory***

Seth, M.L., ***Monetary Economics***, Laxmi Educational Enterprises,

Joshi, Shyam, ***Micro and Macro Economic Analysis***, Taleju Publication

Kandel, N., Dahal, R. et al., ***Business Economics***

Jha, P.K., et al.***Business Economis***, Kalyani Publication