

O2 - BUSINESS ECONOMICS
OPERATIONAL LEVEL-1
INTRODUCTION

This course is designed to focus on fundamental 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.

LEARNING OUTCOMES

Upon completion of this course, students will be able to:

- Understand short run and long run cost behaviour
- Realize the impact of long run costs on industry structure;

- Elucidate Supply and Demand Curve along with the formation of Equilibrium price;
- Prepare price stabilisation policy considering the reasons for price instability in markets for primary goods;
- Comprehend implications of price instability for producer Incomes and supply;
- Understand measures of markets competition and concentration;
- Explicate the effects of monopoly and collusive practices;
- Elucidate the nature of externalities and the government measures to deal with it;
- Realize the roles of central banks and state bank of Pakistan
- Understand key features of Pakistan's current fiscal and monetary policies
- Know about the government macroeconomics policy goals;
- Comprehend the causes of imbalance in the balance of payment;
- Ascertain Interest rate determination and its trends in Pakistan

INDICATIVE GRID

| PART | SYLLABUS CONTENT AREA | WEIGHTAGE |
|--------------|--|-------------|
| A | 1. Nature and Scope of Economics | 60% |
| | 2. Consumer's Behaviour and Its Analysis | |
| | 3. Demand & Supply Analysis | |
| | 4. Price Elasticity | |
| | 5. Price Instability and Government Measures | |
| | 6. Cost Behaviour | |
| | 7. Competition, Market Effects and Government Measures | |
| B | 8. Macroeconomic: Trade Cycle | 40% |
| | 9. Macroeconomic: The Role of Government | |
| | 10. Economy of Pakistan | |
| 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.

DETAILED CONTENTS
PART - A
1. Nature and Scope of Economics

- Definition of Economics
- Allocation of scarce resources and wants,
- Micro VS Macro
- Terminology of Economics; land, labour, capital and enterprise
- Basic economics school of thoughts, Classical, new classical and modern school of thought
- Major economics system of the world capitalism, socialism and Islamic
- 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. Demand & Supply Analysis

- Definition of Market
- Concept and law of Demand Curve
- Concept and law of Supply Curve
- Formation of Equilibrium price

- Short Run and Long Run Equilibrium Price

4. Price Elasticity

- Calculation of Price Elasticity of Demand
- Impact of Price Elasticity of Demand
- Influences on Price Elasticity of Demand
- Calculation of Price Elasticity of Supply
- Influences on Price Elasticity of Supply

5. Price Instability and Government Measures

- Reasons for Price Instability in Markets for Primary Goods
- Implications of Price Instability for Producer Incomes and Supply
- Price Stabilization Policies
- Minimum and Maximum Pricing Policies in Good Markets
- Minimum and Maximum Pricing Policies in Factor Markets

6. Cost Behavior

- Types of Cost
- Short Run Cost Behaviour
- Long Run Cost Behaviour
- Impact of Long Run Costs on Industry Structure
- Iso cost and isoquant concepts

7. Competition, Market Effects and Government Measures

- Methods of Business Integration
- Measures of Market Competition and Concentration
- Effects of Monopoly and Collusive Practices
- Competition Policy
- Nature of Externalities
- Government Measures to deal with Externalities

PART - B**8. Macroeconomic: Trade Cycle**

- Factors affecting National Income
- Circular Flow of Income
- Stages in the Trade Cycle
- Impact of the Trade Cycle on Business Environment
- Multiplier effect

9. Macroeconomic: The Role of Government

- Government Macroeconomic Policy Goals

- Elements of Public Finance
- Unemployment
- Inflation
- Fiscal Policy
- Monetary Policy
- Supply side Policies

10. Economy of Pakistan

- Discuss inflation in Pakistan and its causes
- key features of Pakistan's current fiscal and monetary policy
- Function and role of Central bank and state bank of Pakistan
- Interest rate determination and its trends in Pakistan
- Balance of payment and trade and their trends in Pakistan