

ECO 206: Economics for Business

BIM 4th Semester

*Credits: 3
Lecture Hours: 48*

Course Objectives

This course aims to develop students' understanding of fundamentals of the microeconomics and macroeconomics in order to enhance their skill in analyzing business opportunities and markets for optimum use of resources in business practices blending with information technology.

Course Description

This course comprises the basic economic issues; concepts, scope, and business applications of micro and macroeconomics; analysis of demand, supply and market efficiency, production, cost, and profit analysis, market structures and pricing practices, and fundamentals of macroeconomics.

Course Learning Outcomes

By the completion of the course students will be able to:

- Describe the concept of scarcity, choice and alternatives, and nature of micro and macroeconomics, and also assess the inter-linkages between economics and business decisions.
- Explain the demand and supply model, and economic efficiency and also measure the elasticity of demand and supply and use of price elasticity of demand in business decision making.
- Explain the production functions and determine the optimal combination of inputs and also examine the behavior of short-run and long-run cost functions.
- Describe cost concepts, economies of scale, and business profit vs economic profit.
- Explain market structures and profit-maximizing goal of the firm and also explain the pricing of real practices.
- Know the determinants of wage differentials and interest rate differentials.
- Calculate the national income and describe the macroeconomic issues and policies

Course details:

Unit 1: Introduction

5 LHs

Basic economic issues: scarcity, choice, and alternatives; Microeconomics: concepts and scope, microeconomics and business operations; and Macroeconomics: concepts and scope, macroeconomics and business environment.

Unit 2: Analysis of Demand, Supply, and Market Efficiency

14 LHs

Demand function: concept and types; Movement along a demand curve and shifts in demand curve; Supply function: concept and types; Movement along a supply curve and shifts in supply curve; Market Equilibrium; Economic efficiency: concept and measurement; Price elasticity of demand: concept and calculation; Price elasticity of demand in demand curve; Concept of revenue and relationship between revenue and price elasticity of demand; Uses of price elasticity of demand in business decision making; Concept and calculation of income elasticity of demand, cross elasticity of demand and advertisement elasticity of demand; Price elasticity of supply: concept and calculation.

Unit 3: Production, Cost, and Profit analysis**12 LHs**

Production function: concept and types; Factors of production; Law of variable proportions and optimal employment of one variable input; Isoquants: assumptions, properties and principle of marginal rate of technical substitution, Optimal employment of two variable inputs; and Laws of returns to scale; Cost function; Various concepts of costs: opportunity cost, explicit and implicit costs, accounting and economic costs; Short run costs: behavior of short-run total, average and marginal costs and cost curves; Derivation of LAC and LMC; Relation between AC and MC; Economies and diseconomies of scale; Business profit and economic profit.

Unit 4: Market Structure and Pricing Practices**5 LHs**

Market structure: concepts and characteristics of perfect competition, monopoly, monopolistic competition and oligopoly market; Goal of the firm: profit maximization; Pricing practices: price discrimination, cost plus pricing, two-part tariffs, bundling; Concept of wage differentials and interest rate differentials.

Unit 5: Fundamentals of Macroeconomics**12 LHs**

Concept and measurement of national accounts: GDP, GNP, NI, PDI, and per capita income; Nominal GDP, Real GDP, and GDP deflator; Consumption, saving, and investment functions; Inflation: concepts and measurement; Demand-pull and cost-push inflation; Concept of deflation; Business cycles: concept and phases; Balance of payments: concept and components; Exchange rate determination: concepts, fixed and flexible exchange rate; Monetary policy: concept, instruments and objectives; Fiscal policy: concept, instruments and objectives.

Suggested Readings

Browning and Browning. **Microeconomic Theory and Applications**, New Delhi, Kalyani Publishers Latest Edition

Case, K. E., and Fair, R.C. **Principles of Economics**, Singapore, Pearson Education. Latest Edition

Dwivedi, D.N. **Macroeconomics: Theory and Policy**, Delhi, Pearson Education Pvt. Ltd. Latest Edition

McConnell C.R. and Brue, S. **Economics: Principles, Problems, and Policies**, New York, McGraw Hill. Latest Edition

Shreshtha, R.G. and Adhikari, G.M. **Economics for Business**, Kathmandu, KEC Publications. Latest Edition