UNIVERSITY OF MUMBAI
No. UG/ 83 of 2016-17

CIRCULAR:-

A reference is invited to the Syllabi relating to the Master of Commerce (M.Com) degree course vide this office Circular No. UG/20 of 2012-13 dated 10th May, 2012 and the Head, Department of Commerce, the Principals of affiliated Colleges in Commerce and the Professor-cum-Director, Institute of Distance and Open Learning (IDOL) are hereby informed that the recommendation made Board of Studies in Business Economics of at its meeting held on 27th May, 2016 has been accepted by the Academic Council at its meeting held on 24th June, 2016 vide item No. 4.16 and that in accordance therewith, the revised syllabus as per Choice Based Credit System for M.Com.(Sem. I & II) degree course in Economics, which is available on the University’s website (www.mu.ac.in) and that the same has been brought into force with effect from the academic year 2016-17.

MUMBAI – 400 032
25th October, 2016
To,

The Head, Department of Commerce, the Principals of affiliated Colleges in Commerce and the Professor-cum-Director, Institute of Distance and Open Learning (IDOL).

A.C/4.16 /24/06/2016

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Copy forwarded with compliments for information to:-

1) The Dean, Faculty of Commerce,
2) The Chairman, Board of Studies in Accountancy,
3) The Controller of Examinations,
4) The Co-Ordinator, University Computerization Centre.

MUMBAI-400 032
25th October, 2016

(Dr.M.A. Khan)
REGISTRAR

PTO.
Preamble

This course is designed to equip the students with basic tools of economic theory and its practical applications. The course aims at familiarising the students with the understanding of the economic aspects of current affairs and thereby prepares them to analyse the market behaviour with economic way of thinking. In addition to providing an insight into application of economic principles
in business decisions, it also intends to widen analytical ability of the students and to provide them a foundation for further study of economics. In order to make the study practical oriented, the paper requires discussion of some cases involving the use of concepts of business economics.

**Paper I**

**Economics for Business Decisions**

**Unit I: Basic principles in Business Economics:** (5 lectures)

Meaning and scope of Business Economics –twin principles of scarcity and efficiency; incremental and Marginal principle; profit maximisation principle; market economy and invisible hand; production possibility frontier; Opportunity cost - accounting profit and economic profit; market failure, externality, public goods and economic role of Government

**Unit II: Demand and Supply analysis:** (10 lectures)

- Determinants of demand – market demand function - theory of attributes, snob appeal, band wagon and Veblen effect and demand function. Law of supply- elasticity of supply
- Applications of elasticity of demand and supply to economic issues: Paradox of bumper harvest- tax on price and quantity - minimum floor and maximum ceilings: minimum wages controversy and Administered price control
- The theory of consumer choice - Consumer preference and budget constraint - equilibrium position of tangency with the help of Indifference curve analysis- effect of changes in price and income on consumer equilibrium

**Unit III: Production decisions and Cost analysis:** (5 lectures)

- Production function - short run and long run - Law of variable proportion, returns to scale, scale economies, scope economies- least cost factor combination for a given output- Expansion path and Multiproduct firm- cost reduction through experience - learning curve
- Economic analysis of Cost: Classification of costs, short run and long run cost functions.
Unit IV: **Market structure analysis**:  
(10 lectures)

- Difference between perfectly and imperfectly competitive markets - Perfect competition and Monopoly as limiting cases of market imperfections - Sources of market power - profit maximisation of simple and discriminating monopolist- methods of measuring monopoly power - Public policy towards monopoly power

- Different forms of imperfect competition - Monopolistic competition and Oligopoly - Strategic decision making in oligopoly markets- collusive and non collusive oligopoly- colliding oligopoly : rivalry among few, price war and kinked demand curve- collusive oligopoly models of price leadership and cartel - basic concepts of game theory - Using Game theory to analyse strategic decisions - application of model of prisoner’s dilemma in market decisions

**Suggested Readings:**

**Core Readings**
1. Salvatore, D.: Managerial Economics in a global economy (Thomson South Western Singapore, 2001)

**Additional Readings**
3. Dean, Joel: Managerial Economics (Prentice Hall of India, N. Delhi, 2002)

**Current Readings**
Economic and Political Weekly  
Indian Economic Review  
Financial Dailies
M.Com. Core Course in Economics Semester – II
Paper II: Macroeconomic concepts and applications

Preamble

The heavily application-oriented nature of macroeconomics subject is introduced in order to enable the post graduate students to grasp fully the theoretical rationale behind policies at the country as well as corporate level. This paper helps the students to receive a firm grounding on the basic macroeconomic concepts that strengthen analysis of crucial economic policies. Students are expected to regularly read suggested current readings and related articles in the dailies and journals are analysed class rooms.

Unit-I  (5 lectures)
Aggregate Income and its dimensions: National income aggregates - and measurement; - GNP, GDP, NDP, Real and nominal income concepts, measures of inflation and price indices - GDP deflator, - Nominal and real interest rates- PPP income and HDI

Unit- II  (5 lectures)
Keynesian concepts of Aggregate Demand (ADF), Aggregate Supply (ASF), Interaction of ADF and ASF and determination of real income; Inflationary gap
Policy trade- off between Inflation and unemployment – Phillips’ curve – short run and long run-

Unit - III  (10 lectures)
The IS-LM model: Equilibrium in goods and money market; Monetary and real influences on IS-LM curves, Economic fluctuations and Stabilisation policies in IS-LM framework - Transmission mechanism and the crowding out effect; composition of output and policy mix, IS-LM in India

Unit - IV  (10 lectures)
International aspects of Macroeconomic policy: Balance of payments disequilibrium of an open economy - corrective policy measures -Expenditure changing policies and expenditure switching policies BOP adjustments through monetary and fiscal policies -The Mundell-Fleming model - Devaluation, revaluation as expenditure switching policies - effectiveness of devaluation and J - curve effect

Suggested readings
2) D’Souza Errol., Macroeconomics, Pearson Education 2008

Current Readings
Economic and Political Weekly
Indian Economic Review
Financial Dailies