UNIVERSITY OF MUMBAI

Syllabus for First Year
B.Com(Semester I and Semester II)

Programme
Business Economics Paper I & II

with effect from the academic year
2016 – 2017
First Year B.Com Semester I

Business Economics Paper I

Preamble

This paper provides an overall introduction to economics as dealing with the problems of allocation of scarce resources in optimum manner. It aims to build a familiarity with the basic tools of consumer and producer theory, the operation of markets and optimisation in an economic context. In order to explain economic issues and solutions in a practical manner, the concepts are to be discussed with case studies and numerical problems wherever applicable.

Unit I: Introduction (10 lectures)

Scope and Importance of Business Economics - basic tools - Opportunity Cost principle- Incremental and Marginal Concepts. Basic economic relations - functional relations: equations - Total, Average and Marginal relations - Use of Marginal analysis in decision making. The basics of market demand, market supply and equilibrium price - shifts in the demand and supply curves and equilibrium

Unit II: Demand Analysis (15 lectures)

Demand Function - nature of demand curve under different markets Meaning, significance, types and measurement of elasticity of demand (Price, income cross and promotional) - relationship between price elasticity of demand and revenue concepts

Demand Estimation and forecasting: Meaning and significance - methods of demand estimation - survey and statistical methods (numerical examples on trend analysis and simple linear regression)

Unit III: Supply and Production Decisions: (10 lectures)

Production function: short run analysis with Law of Variable Proportions - Production function with two variable inputs- isoquants, ridge lines and least cost combination of inputs - Long run production function and Laws of Returns to Scale - expansion path - Economies and diseconomies of Scale and economies of scope

Unit IV: Cost of Production: (10 lectures)

Cost concepts: accounting cost and economic cost, implicit and explicit cost, social and private cost, historical cost and replacement cost, sunk cost and incremental cost - fixed and variable cost - total, average and marginal cost - Cost Output Relationship in the Short Run and Long Run - (hypothetical numerical problems to be discussed)

Extension of cost analysis: Cost reduction through experience- LAC and Learning curve and Break Even Analysis (with business application)

References:
1) Mehta, P.L.: Managerial Economics – Analysis, Problem and Cases (S. Chand & Sons, N. Delhi, 2000)
3) Salvatore, D.: Managerial Economics in a global economy (Thomson South Western Singapore, 2001)
4) Frank R.H, Bernanke.B.S., Principles of Economics (Tata McGraw Hill (ed.3)
F.Y B.Com Semester II

Business Economics Paper II

Unit I: Market Structure: Perfect Competition and Monopoly (10 lectures)

**Perfect competition and Monopoly models** as two extreme cases - profit maximisation and the competitive firm’s supply curve - Short run and long run equilibrium of a firm and of industry - Monopoly - Sources of monopoly power – short run and long run equilibrium of a firm under Monopoly

Unit II: Pricing and Output Decisions under Imperfect Competition (15 lectures)

**Monopolistic competition:** Competitive and Monopolistic elements of monopolistic competition- equilibrium of firm under monopolistic competitions, monopolistic verses perfect competition, excess capacity and inefficiency, debate over role of advertising, (topics to be taught using case studies from real life examples)

**Oligopolistic Market:** Key attributes of oligopoly- Collusive and non-collusive oligopoly market, Price rigidity, Cartels and price leadership models(with practical examples)

Unit III: Pricing practices (10 lectures)

Cost oriented pricing methods: cost –plus (full cost)/mark-up pricing, marginal cost pricing, Mark up pricing, discriminating pricing, multiple – product pricing - transfer pricing (case studies on how pricing methods are used in business world)

Unit IV: Evaluating capital projects (10 lectures)

Meaning and importanceof capital budgeting- steps in capital budgeting- Techniques of Investment appraisal: payback period method, net present value method, and internal rate of return method (with numerical examples)

References:

1) Mehta, P.L.: Managerial Economics – Analysis, Problem and Cases (S. Chand & Sons, N. Delhi, 2000)
3) Salvatore, D.: Managerial Economics in a global economy (Thomson South Western Singapore, 2001)
7) Pal Sumitra, Managerial Economics cases and concepts (Macmillan, New Delhi,2004)
## Question Paper Pattern
(Business Economics Paper I & II)

Maximum Marks: 100  
Questions to be set: 06  
Duration: 03Hrs.

<table>
<thead>
<tr>
<th>Question No</th>
<th>Particular</th>
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<td>Q-1</td>
<td>Objective Questions</td>
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<td>A) Sub Questions to be asked 07 and to be answered any 05</td>
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<td>B) Sub Questions to be asked 12 and to be answered any 10</td>
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<td>Full Length Question</td>
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<td>Q-3</td>
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<td>Q-4</td>
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<td>Q-6</td>
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<td>To be answered 04</td>
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**Note:** Theory questions of 15 marks may be divided into two sub questions of 7/8 and 10/5.