

Objective :

Objective of this Syllabus is to acquaint the First Year Students of Commerce faculty with micro economic theory of business Economic and its application to Business decisions in general.

Unit - 1.

Robbins' Definition of Economics - Economics as a positive science - Limitations of Robbins' definition - Basic Problems of an economy - Role of Price mechanism in solving these problems and limitations of price mechanism.

Unit - 2.

Elasticity of Demand : Concept and measurement of elasticity of demand ; Price, income and cross elasticities ; Average revenue, marginal revenue and elasticity of demand; Determinants of elasticity of demand; Importance of elasticity of demand.

Unit - 3.

Production Function : Law of variable proportions; Iso-Quants; Optimum factor Combination; Expansion path; Returns to scale; Internal and external economies and diseconomies:

Unit - 4.

Theory of Costs : Short-run and long-run cost curves - Traditional approach - Modern approach which considers real life situations.

Unit - 5.

Market Structures : Market structure and business decisions; Objectives of a business firm.

- a. Perfect Competition; Profit maximization and equilibrium of firm and industry; Short - run and Long - run supply curves; Price and output determination - Practical applications.
- b. Monopoly : Determination of price under monopoly; Equilibrium of a firm; Comparison between perfect competition and monopoly; Price discrimination - Practical applications.

Unit - 6.

- a. Monopolistic Competition : Meaning and characteristics; Price and output determination under monopolistic; Comparison with Perfect competition; Excess capacity under monopolistic competition.

- b. Oligopoly : Characteristics; Indeterminate pricing and output; Classical models of oligopoly; Price Leadership; Collusive oligopoly; Kinked demand curve.

Unit - 7.

Factor Pricing-1 : Marginal Productivity theory and Demand for factors; Nature of supply of factor inputs; Determination of wage rates under perfect competition and monopoly; Exploitation of Labor; Rent - concept; Ricardian and modern theories of rent; Quasi-rent.

Unit - 8.

Factor Pricing-II : Interest - Classic theory and Keynes' theory of interest. Profit - nature, Knight's Risk and uncertainty theory of profit - Schumpeter's innovation theory of Profit.

Suggested Readings :

1. Paul Samuelson : Economics
2. ipsey : Introduction to Positive Economics
3. Ahuja H.L. Business Economics
4. Jhingan : Micro Economics