

**ALLAMA IQBAL OPEN UNIVERSITY, ISLAMABAD**  
**(Department of Business Administration)**

**MICRO ECONOMICS (131)**

**CHECKLIST**

**SEMESTER: SPRING 2014**

This packet comprises the following material:

1. Text Book (one)
2. Course Outlines
3. Assignment No. 1 & 2
4. Assignment Forms (2 sets)

In this packet, if you find anything missing out of the above mentioned material, please contact at the address given below:

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**WARNING**

1. **PLAGIARISM OR HIRING OF GHOST WRITER(S) FOR SOLVING THE ASSIGNMENT(S) WILL DEBAR THE STUDENT FROM AWARD OF DEGREE/CERTIFICATE, IF FOUND AT ANY STAGE.**
2. **SUBMITTING ASSIGNMENTS BORROWED OR STOLEN FROM OTHER(S) AS ONE'S OWN WILL BE PENALIZED AS DEFINED IN "AIU PLAGIARISM POLICY".**

**ASSIGNMENT No. 1**

(Units: 1–4)

**Course: Micro Economics (131)**

**Level: BBA**

**Semester: Spring 2014**

**Total Marks: 100**

**Pass Marks: 40**

**Note: Attempt all questions.**

- Q. 1 Differentiate between positive and normative economics. (20)
- Q. 2 Discuss the concept of efficiency and growth in detail. (20)
- Q. 3 Describe the law of diminishing marginal utility and law of equi-marginal utility with suitable examples. (20)
- Q. 4 What is relationship between elasticity of demand and revenue. (20)
- Q. 5 Define indifference curve. Describe the application and uses of indifference curve. (20)

**ASSIGNMENT No. 2**

(Units: 5–9)

**Total Marks: 100**

**Pass Marks: 40**

**Note: Attempt all questions.**

- Q. 1 Write short notes on the following:
- i. Sole proprietorship
  - ii. Returns to scale (10+10)
- Q. 2 Explain the derivation of average fixed cost, average variable costs, average total costs and marginal cost curves. (20)
- Q. 3 Describe the law of diminishing marginal utility. (20)
- Q. 4 Describe the meaning and classification of markets. Also discuss imperfect markets in detail. (20)
- Q. 5 Explain the determination of equilibrium wage rate under perfect and imperfect market conditions (20)

**Detailed Course Outlines (BBA–131)**

**Unit 1: Nature of Economics and Basic Economic Concepts**

- 1.1 Economics: Micro and Macro Economics
- 1.2 Positive and Normative Economics
- 1.3 Is Economics Science or an Art?
- 1.4 Basic Economic Concepts:
  - 1.4.1 Resources and its scarcity
  - 1.4.2 Scarcity and Choice
  - 1.4.3 Opportunity Cost and its uses
  - 1.4.4 Production Possibility Frontier
  - 1.4.5 Law of increasing cost or diminishing return

1.4.6 The concept economic efficiency and growth

**Unit 2: Types of Economies**

- 2.1 Command Economy
- 2.2 Market Economy
- 2.3 Mixed Economy
- 2.4 Islamic Economic System
- 2.5 Prices System and Resource Allocation

**Unit 3: The Theory of Demand and Supply**

- 3.1 Utility Analysis
- 3.2 Consumer Behavior
- 3.3 Cardinal and Ordinal Utility
- 3.4 Marginal Utility
- 3.5 Law of Diminishing Marginal Utility
- 3.6 Law of Equi-marginal Utility
- 3.7 Meaning of Demand
- 3.8 Types of Demand
- 3.9 Law of Demand
- 3.10 Limitations of Law of Demand
- 3.11 Derivation of Individual and Market Demand Curve and the Concept of Consumer Surplus
- 3.12 Law of Supply
- 3.13 Derivation of Individual and Market Supply Schedule
- 3.14 Equilibrium of Supply and Demand Curves

**Unit 4: Elasticity of Demand and Supply**

- 4.1 Measurement of the elasticity of demand
- 4.2 Price elasticity of demand
- 4.3 Income elasticity of demand and cross-price elasticity of demand
- 4.4 The determinants of the price elasticity of demand
- 4.5 Relationship between elasticity of demand and the revenue
- 4.6 Price elasticity of supply in the short and long run
- 4.7 The applications of and the uses of elasticity of demand and supply
- 4.8 Supply and demand analysis and the intervention of the government

**Unit 5: Indifference Curve Analysis**

- 5.1 Scale of preferences
- 5.2 Indifference curves
- 5.3 Properties of indifference curve
- 5.4 Marginal rate of substitution
- 5.5 Budgetary constraint and the determination of consumer equilibrium
- 5.6 Income substitution, price effects and derivation of demand curve
- 5.7 Superiority and weaknesses of indifference curve technique
- 5.8 Applications and uses of indifference curve technique

**Unit 6: Forms of Business Organizations**

- 6.1 The nature of the firm
- 6.2 Sole proprietorship
- 6.3 Partnership
- 6.4 Private and public limited companies

**Unit 7: Theory of Production**

- 7.1 Production Function
- 7.2 Total, average and marginal product
- 7.3 Law of diminishing return
- 7.4 Returns to scale
- 7.5 Analysis of costs: Fixed, variable and total costs
- 7.6 Average fixed, average variable, average total costs and marginal costs
- 7.7 Relationship between production and costs

- 7.8 Derivation of average fixed cost, average variable costs, average total costs and marginal cost curves
- 7.9 Efficient level of production
- 7.10 Long-run costs: Economies and diseconomies of scale
- 7.11 Firm demand curve and the market demand curve

**Unit 8: Market and Market Structures**

- 8.1 Market: meaning and classification of markets
- 8.2 Perfect and imperfect markets
- 8.3 Forms of market structures: perfect competition, monopolistic competition, monopoly and oligopoly
- 8.4 Conditions for the determination of price and output relationship of the firm in each market in the short run and long-run

**Unit 9: Pricing of Factors of Production**

- 9.1 Factor markets
- 9.2 Factor supply and the concept of marginal factor cost
- 9.3 Firm demand for factors of production
- 9.4 Labour, labour supply and demand curve and the equilibrium in the labour market
- 9.5 Determination of equilibrium wage rate under perfect and imperfect market conditions
- 9.6 Interest, rent and profit
- 9.7 Supply of capital
- 9.8 Interest, credit market, rate of interest
- 9.9 Rent, pure and economic rent
- 9.10 Profit: sources of economic profit
- 9.11 Concept of externalities and the need for government intervention in imperfectly competitive market conditions.

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