

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

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**ECONOMIC ANALYSIS (522)**

**CHECKLIST**

**SEMESTER: SPRING, 2014**

This packet comprises the following material:

1. Text Book
2. Course Outline
3. Assignment No.1 and 2
4. Assignment Forms (two sets)

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

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(Department of Business Administration)

**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 "AIOU PLAGIARISM POLICY".**

**Course: Economic Analysis (522)**  
**Level: MBA**

**Semester: Spring, 2014**  
**Total Marks: 100**  
**Pass Marks: 40**

**ASSIGNMENT No. 1**  
(Units: 1–5)

- Q. 1 Define economics. Also differentiate between micro and macroeconomics with examples. (20)
- Q. 2 What is the concept of scarcity of choice? Also explain the production possibility frontier. (20)
- Q. 3 Define marginal utility and discuss law of marginal utility in detail. (20)
- Q. 4 Differentiate between perfect and imperfect market conditions with the help of examples. (20)
- Q. 5 Describe the concept of externalities and the need for government intervention in imperfectly competitive market conditions. (20)

**ASSIGNMENT No. 2**  
(Units: 1–9)

**Total Marks: 100**

**Pass Marks: 40**

This assignment is a research-oriented activity. You are required to submit a term paper and present the same in the classroom prior to the final examination. Presentation component is compulsory for all students. You will have to participate in the activity fully and prepare a paper of about 15 to 20 pages on the topic allotted to you. The students are required to prepare two copies of Assignment No. 2. Submit one copy to

your teacher for evaluation and the second copy for presentation in the classrooms in the presence of your resource persons and classmates, which will be held at the end of the semester prior to final examination.

Include the following main headings in your report:-

- a) Introduction to the topic
- b) Important sub-topics
- c) Practical aspects with respect to the topic
- d) Review of theoretical and practical situations
- e) SWOT analysis of the organization with respect to your topic
- f) Conclusions and recommendations
- g) Annex, if any

You must use transparencies, charts or any other material for effective presentation. You are also required to select one of the following topics according to the last digit of your roll number. For example, if your roll number is D-3427185 then you will select topic No.5 (the last digit):-

**List of Topics**

0. Opportunity cost
1. Resource allocation
2. Factor markets
3. Inflation
4. Unemployment
5. Monopoly
6. Oligopoly
7. World Trade Organization
8. Perfect market
9. Returns to scale

Prepare your assignments as per the guidelines and it may be re-evaluated by the Quality Assurance Cell, Department of Business Administration at any time.

# **ECONOMIC ANALYSIS (522)**

## **DETAILED COURSE OUTLINE**

### **Unit-1 Nature of Economics and Basic Economic Concepts**

- 1.1 Economic: Micro and Macro Economics
- 1.2 Positive and Normative Economics
- 1.3 Resources and its Scarcity
- 1.4 Scarcity and Choice
- 1.5 Opportunity Cost and its Uses
- 1.6 Production Possibility Frontier
- 1.7 Law of Increasing cost or Diminishing Return
- 1.8 The Concept of Economic Efficiency and Growth
- 1.9 Command Economy, Market Economy, Mixed Economy
- 1.10 Islamic Economic System
- 1.11 Prices System and Resource Allocation

### **Unit-2 Analysis of Demand and Supply**

- 2.1 Utility Analysis
- 2.2 Consumer Behavior
- 2.3 Cardinal and Ordinal Utility
- 2.4 Marginal Utility
- 2.5 Law of Diminishing Marginal Utility
- 2.6 Law of Equi-marginal Utility
- 2.7 Utility and Demand
- 2.8 Meaning of Demand
- 2.9 Law of Demand
- 2.10 Derivation of Individual and Market Demand Curve and the Concept of Consumer Surplus
- 2.11 Law of Supply
- 2.12 Derivation of Individual and Market Supply Schedule
- 2.13 Equilibrium of Supply and Demand Curves
- 2.14 Elasticity of Demand and Supply
- 2.15 Indifference Curve Analysis

### **Unit-3 Forms of Business Organizations and Theory of Production**

- 3.1 The nature of the firm
- 3.2 Sole proprietorship, Partnership, Private and Public Limited Companies
- 3.3 Production Function
- 3.4 Total, Average and Marginal Product
- 3.5 Law of Diminishing Return
- 3.6 Returns to Scale

- 3.7 Analysis of Costs: Fixed, Variable and Total Costs
- 3.8 Average Fixed, Average Variable, Average Total Costs and Marginal Costs
- 3.9 Relationship Between Production and Costs
- 3.10 Derivation of Average Fixed Cost, Average Variable Costs, Average Total Costs and Marginal Cost Curves
- 3.11 Efficient Level of Production
- 3.12 Long-run Costs: Economies and Diseconomies of Scale
- 3.13 Firm Demand Curve and the Market Demand Curve

**Unit-4 Market and Market Structures**

- 4.1 Market: Meaning and Classification of Markets
- 4.2 Perfect and Imperfect Markets
- 4.3 Forms of Market Structures: Perfect Competition, Monopolistic Competition, Monopoly and Oligopoly
- 4.4 Conditions for the Determination of Price and Output Relationship of the Firm in each Market in the Short Run and Long-run

**Unit-5 Pricing of Factors of Production**

- 5.1 Factor Markets
- 5.2 Factor Supply and the Concept of Marginal Factor Cost
- 5.3 Firm Demand for Factors of Production
- 5.4 Labour, Labour Supply and Demand Curve and the Equilibrium in the Labour Market
- 5.5 Determination of Equilibrium Wage Rate Under Perfect and Imperfect Market Conditions
- 5.6 Interest, Rent and Profit
- 5.7 Supply of Capital
- 5.8 Interest, Credit Market, Rate of Interest
- 5.9 Rent, Pure and Economic Rent
- 5.10 Profit: Sources of Economic Profit
- 5.11 Concept of Externalities and the Need for Government Intervention in Imperfectly Competitive Market Conditions.

**Unit-6 The Measurement of National Income and the Determination of Equilibrium Level of Income**

- 6.1 Concept and Measurement of National Income
- 6.2 Gross National Output and Gross National Expenditure
- 6.3 Difficulties in the Measurement of National Income
- 6.4 National Income and Circular Flow of Income and Expenditure
- 6.5 Consumption Function and the Determination of Equilibrium Level of Income and Output.

- 6.6 Inflationary and Deflationary Gap
- 6.7 Determinants of Investment and the Marginal Efficiency of Capital

**Unit-7 Fiscal and Monetary Policy**

- 7.1 Public Versus Private Finance
- 7.2 Government Spending: Taxes and Transfer
- 7.3 Government and Aggregate Demand
- 7.4 Effect of Government Spending on Output
- 7.5 The Effects of Taxation on Output
- 7.6 The Combined Effects of Spending
- 7.7 Money: Definition and Functions of Money
- 7.8 Functions of Central Bank and Commercial Banks
- 7.9 Money Demand, Money Supply and the Determination of Interest Rate
- 7.10 Monetary Policy, Instruments and Objectives of Monetary Policy

**Unit-8 Inflation and Unemployment**

- 8.1 Different Types of Inflation, Causes and Consequences
- 8.2 Different Types of Unemployment and Causes
- 8.3 Relation Between Inflation and Unemployment
- 8.4 Methods of Controlling Inflation and Unemployment

**Unit-9 International Trade, Balance of Payments and International Financial System**

- 9.1 Need for International Trade
- 9.2 International Trade Theory
- 9.3 Principle of Absolute and Comparative Advantage
- 9.4 Structure of Balance of Payments
- 9.5 Equilibrium in the Balance of Payments
- 9.6 Methods of Controlling Balance of Payments Disequilibrium
- 9.7 Relationship Between International Trade, Balance of Payments and the Determination of Exchange Rate
- 9.8 Types of Foreign Exchange Rate Determination System
- 9.9 Fixed, Floating and Flexible Exchange Rates and their Advantages and Disadvantages
- 9.10 International Monetary Fund: Structure, Functions and Role in the Determination of Exchange Rate System
- 9.11 World Bank: Functions and Role in Development of Less Developed Countries
- 9.12 GATT, Rounds of GATT and the New World Order, World Trade Organization (WTO).

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