

**UNIVERSITY OF MUMBAI**



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

**Programme**

**Business Economics Paper I & II**

(Choice Based Credit System with effect from the  
Academic year 2016-17)

# 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)
- 2) Hirschey .M., *Managerial Economics, Thomson South western* (2003)
- 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)
- 5) Gregory Mankiw., *Principles of Economics, Thomson South western* (2002 )

- 6) Samuelson & Nordhas.: *Economics* (Tata McGraw Hills, New Delhi, 2002)  
7) Pal Sumitra, *Managerial Economics cases and concepts* (Macmillan, New Delhi, 2004)

## **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 importance of 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)
- 2) Hirschey .M., *Managerial Economics*, Thomson South western (2003)
- 3) Salvatore, D.: *Managerial Economics in a global economy* (Thomson South Western Singapore, 2001)
- 4) Frank Robert.H, Bernanke. Ben S., *Principles of Economics* (Tata McGraw Hill (ed.3)
- 5) Gregory Mankiw., *Principles of Economics*, Thomson South western (2002 reprint)
- 6) Samuelson & Nordhas.: *Economics* (Tata McGraw Hills, New Delhi, 2002)
- 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.

Question No	Particular	Marks
Q-1	Objective Questions A) Sub Questions to be asked 07 and to be answered any 05 B) Sub Questions to be asked 12 and to be answered any 10 (*Multiple choice / True or False / Match the columns/Fill in the blanks)	20
Q-2 Q-2	Full Length Question OR Full Length Question	15
Q-3 Q-3	Full Length Question OR Full Length Question	15
Q-4 Q-4	Full Length Question OR Full Length Question	15
Q-5 Q-5	Full Length Question OR Full Length Question	15
Q-6	Short Notes To be asked 06 To be answered 04	20

**Note-** Theory questions of 15 marks may be divided into two sub questions of 7/8 and 10/5.