

**Rajarshi Janak University**  
**Faculty of Management**

**Level: Bachelor**

**Program: BBA**

**Course: Micro Economics**

**Course Code: ECO 101**

**Credit: 3**

**Semester: First**

**Lecture Hours: 48**

**Course Description**

This course imparts conceptual, and problem solving( numerical and case analysis) knowledge to the students on basic concepts of microeconomics; demand, supply and market equilibrium, theories of consumer's behavior, production and cost analysis, pricing theory and practices, and fundamentals of resource markets.

**Course Objectives**

This course aims to enhance the level of knowledge of students on microeconomic theories and tools of optimization that develop their skills in achieving efficient utilization of economic resources in business practice and policy implications.

**Course Learning Outcomes**

By the completion of the course students will be able to:

- Describe the nature the microeconomics and its use in business and also understand basic economic issues and principles.
- Use the demand and supply as the basic tools of market equilibrium and efficiency.
- Measure elasticity of demand and supply and use price elasticity of demand in business decision making.
- Derive the demand curve by analyzing the consumer's behavior in both cardinal and ordinal approach.
- Explain the production and cost functions, establish interrelationship among production curves and cost curves and determine optimal combination of inputs.
- Explain market structures, determine profit maximizing price of the products in those market structures and explain the pricing of real practices.
- Explain resource market and pricing.

**Course Contents**

**Unit 1: Introduction to Microeconomics**

**LH 5**

- Scarcity, alternatives and choice;
- Microeconomics: concept, scope and uses in business operations;
- Basic principles of economics: how people make decisions, how people interact and how the economy as a whole works.

**Unit 2: Demand, Supply and Market Equilibrium**

**LH 10**

- Demand function: concept and types;
- Supply function: concept and types;
- Movement and shifts in demand and supply curves;
- Market equilibrium; Effect of changes in demand and supply on market equilibrium; Effect of government policy (Tax, subsidy and price control) on market equilibrium;
- Economic efficiency: concepts and measurement;
- Price elasticity of demand: concept, degrees and calculation;

- Relationship between revenue and price elasticity of demand;
- Uses of price elasticity of demand in business decision making;
- Concept of income elasticity of demand, cross elasticity of demand, advertisement elasticity of demand and elasticity of supply.
- Numerical assignments

**Unit 3: Theories of Consumer's Behavior** **LH 7**

- Cardinal approach: assumptions, consumer's equilibrium and derivation of demand curve;
- Indifference curve analysis: assumptions, marginal rate of substitution and properties;
- Price line; Consumer's equilibrium; Price effect and derivation of demand curve for normal and inferior goods.
- Income and substitution effect, Decomposition of price effect into income and substitution effect
- Numerical assignments

**Unit 4: Production and Cost Analysis** **LH 10**

- Production function: concept, types and Cobb-Douglas production function ;
- Law of variable proportions;
- Isoquant and Isocost line
- Optimal employment of one and two variable inputs;
- Laws of returns to scale
- Cost function: concepts, implicit and explicit cost, accounting cost and economic cost, opportunity cost;
- Concept and derivation of short-run and long run cost curves;
- Economies and diseconomies of scale;
- Economies of scope.
- Numerical assignments

**Unit 5: Pricing Theories and Practices** **LH 10**

- Market structure: concept and characteristics;
- Profit maximization goal of firm;
- Perfect competition: short-run and long-run equilibrium, Derivation of short run supply curve of a firm and industry;
- Monopoly: short-run and long-run equilibrium;
- Monopolistic competition: short-run and long-run equilibrium, selling cost and effect on equilibrium; Optimal level of advertising;
- Cartel: concept and types;
- Pricing practices: price discrimination, cost plus pricing, incremental cost pricing, predatory pricing, skimming pricing, two-part tariffs and penetration pricing
- Numerical assignments

**Unit 6: Fundamentals of Resource Markets** **LH 6**

- Rent: concepts, modern theory of rent;
- Wage determination: Three union models, Minimum wage controversy, Pay for performance, and Wage differentials; Optimal choice between work and leisure;
- Interest rate differentials;
- Profit: accounting profit vs economic profit.
- Numerical assignments

## **Suggesting Readings**

Dwivedi, D.N. (2006). *Microeconomic Theory and Application*. New Delhi: Pearson Education.

Koutsoyianis, A. *Modern Microeconomics*, Macmillan. Latest Edition

Mankiw, N. G. (2012). *Principles of Microeconomics*. New Delhi: Cengage Learning India Private Limited

McConnell, C.R., Brue, S.L. and Flynn, S.M. (2009). *Economics: Principles, Problems and Policies*. New Delhi: McGraw Hill Education

Sloman, J. and Sutcliffe, M. *Economics for business*. New Delhi: Pearson Education. Latest Edition