

KARACHI UNIVERSITY BUSINESS SCHOOL

UNIVERSITY OF KARACHI

BBA – I (Hons.)

Course Title	: MICROECONOMICS
Course Number	: BA (H) – 311
Credit Hours	: 03

Objective

Simply stated, economics is the study how societies choose to allocate scarce resources among competing uses. Many of the decisions we make are economic decisions, and many of our interactions with other are influenced by economic institutions.

The objective of this course is to provide basic understanding of economic principles to everyday life. Economic analysis will help the student to understand society with economic reasoning.

Course Contents

1. Fundamentals of Economics

- 1.1 Economic Issues
- 1.2 Scarcity and the Competing Use of Resources
- 1.3 The Role of the Market
- 1.4 The Scope of Economics

- 1. Microeconomics and Macroeconomics
- 2. Diversity of Economics

1.5 The Three Problems of Economic Organization: Market, Command and Mixed Economies

1.6 The Methods of Economics

- 1. Positive Economics
- 2. Normative Economics

1.7 Issues and Applications

- 1. Theories and Models
- 2. Economic Policy

2. Demand Supply and Market

2.1 What is a Market?

1. Market Mechanism
2. How Markets Solve the Three Economic Problems
3. The Invisible Hand and the Perfect Competition

2.2 Trade, Money and Capital:

- a. Trade Specialization and Division of Labor
- b. Money : Lubricant of Exchange
- c. Capital

2.3 Economic Role of Government:

- a. Efficiency
- b. Equity
- c. Macro Economic Growth and Stability

2.4 Demand, Supply and Equilibrium

2.5 Demand and Supply Curves

2.6 Behind the Demand Curve

2.7 Shifts in Demand Curve

2.8 Behind the Supply Curve

2.9 Shifts in Supply Curve

2.10 Equilibrium of Supply and Demand

3. Application of Supply and Demand

3.1 Elasticity of Demand and Supply

1. Price Elasticity of Demand
2. Calculating Elasticities
3. Elasticity and Revenue
4. Price Elasticity of Supply
5. Other Important Elasticities

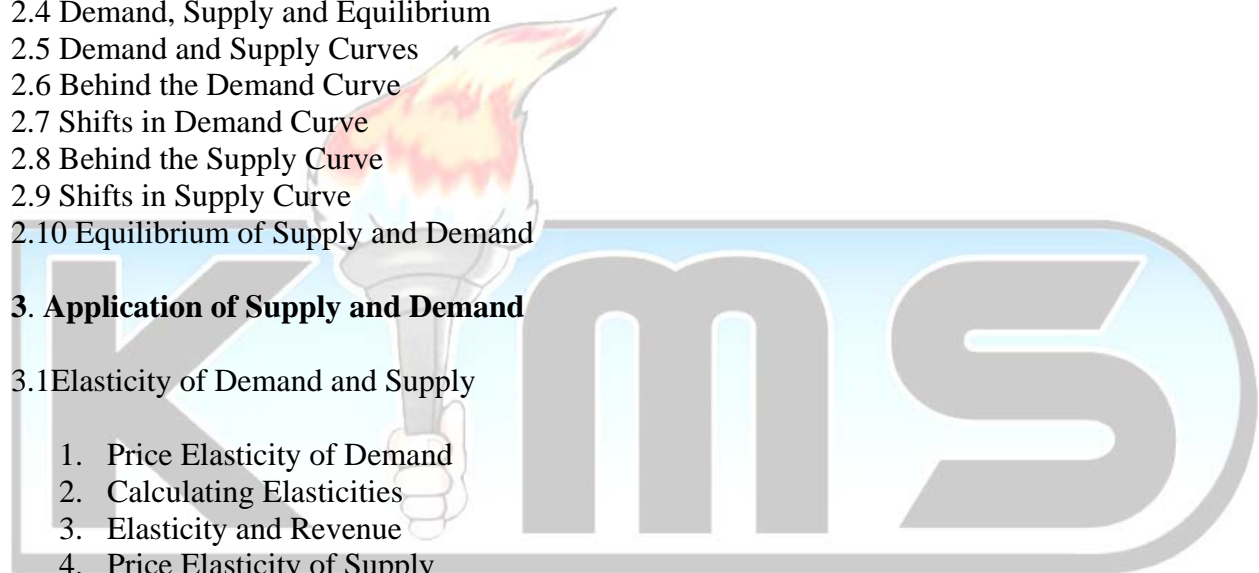
3.2 Issues and Applications

- a. Price Rationing
- b. Elasticity and Tax Revenues
- c. Minimum Floors and Maximum Ceilings

4. Demand and Consumer Behavior

4.1 Choice and Utility Theory:

- a. Determination of Household Choice
- b. Budget Constraint



4.2 Basis of Choice: Utility

- a. Diminishing Marginal Utility
- b. Allocating Income to Maximize Utility
- c. Utility Maximizing Rule
- d. Income and Substitution Effect

4.3 Consumer Surplus

- a. Application of Consumer Surplus

5. Behavior of Profit Maximizing Firms and Production Process

5.1 Basic Concepts

5.2 The Production Function

5.3 Total, Average and Marginal Product

5.4 Law of Diminishing Returns

5.5 Returns to Scale (Short Run and Long Run)

6. Analysis of Costs

6.1 Short Run Costs and Output Decisions

- a. Fixed Cost
- b. Variable Cost
- c. Total Cost

6.2 Output Decisions:

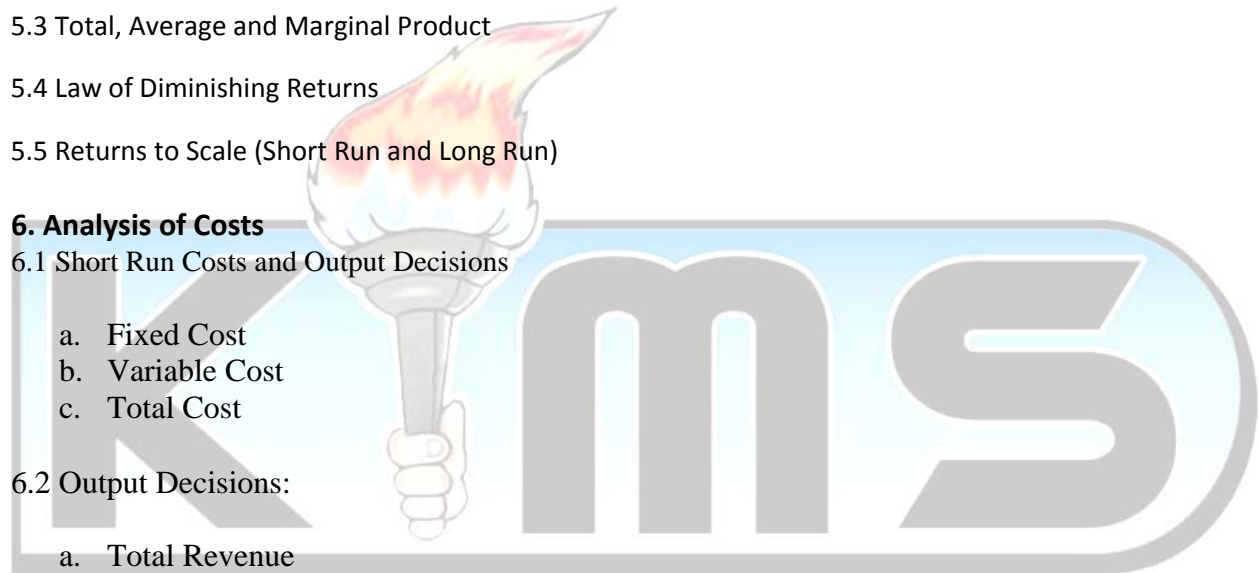
- a. Total Revenue
- b. Marginal Revenue
- c. Comparing Costs and Revenues to Maximize Profits
- d. The Short Run Supply Curve

6.3 Costs and Output Decisions in Long Run

- a. Short Run Condition and Long Run Direction
- b. Maximizing Profits
- c. Minimizing Losses

6.4 Long Run Costs: Economies and Diseconomies of Scale

- a. Increasing Returns to Scale
- b. Constant Returns to Scale
- c. Decreasing Returns to Scale



- 6.5 Issues and Applications: External Economies and Diseconomies
- 6.6 Long Run Adjustments to Short Run Conditions

7. Behavior of Perfectly Competitive Markets

- 7.1 Supply Behavior of Competitive Firm
- 7.2 Supply Behavior of Competitive Industries
- 7.3 Efficiency and Equity of Competitive Markets

8. Imperfect Competition: Monopoly, Duopoly and Oligopoly

- 8.1 Patterns of Imperfect Competition
- 8.2 Marginal Revenue and Imperfect Competition
- 8.3 Behavior of Imperfect Competitors
- 8.4 Control, Innovation and Information

9. Factor Markets: Land, Labor, Capital and Income Distribution

- 9.1 Production Theory (Review)
- 9.2 Demand and Supply of Factors of Production
- 9.3 Determination of Factor Price by Supply and Demand

10. Labor Market

- 10.1 Fundamental of Wage Determination
- 10.2 Land and Rent
 - a. Rent as Return to Fixed Factors
- 10.3 Capital and Interest

Recommended Books:

1. Karl E. Case and Ray C. Fair, Principles of Economics, Prentice Hall International Inc. 8th Edition, 2007.
2. McConnel and Bruce, Economics, McGraw Hill Inc., 15/e, 1999
3. Michael Parkin, Economics, Addison-Wesley International Inc., 1990
4. Samuelson, Paul A. and Nordhaus, William D., Economics, McGraw Hill Inc., 18th Edition, 2005.

