

Academic Council /06/2016

Item No:

**UNIVERSITY OF MUMBAI**



**Syllabus for M.Com**

**Programme**

**Core course in Economics**

**Semester I & II**

with effect from the academic year

2016 – 2017

# **M.Com Semester I: Core course in Economics**

## **Paper I**

### **Economics for Business Decisions**

#### **Preamble**

This course is designed to equip the students with basic tools of economic theory and its practical applications. The course aims at familiarising the students with the understanding of the economic aspects of current affairs and thereby prepares them to analyse the market behaviour with economic way of thinking. In addition to providing an insight into application of economic principles in business decisions, it also intends to widen analytical ability of the students and to provide them a foundation for further study of economics. In order to make the study practical oriented, the paper requires discussion of some cases involving the use of concepts of business economics.

## **Paper I**

### **Economics for Business Decisions**

**Unit I:** Basic principles in Business Economics: (5 lectures)

Meaning and scope of Business Economics –twin principles of scarcity and efficiency; incremental and Marginal principle; profit maximisation principle; market economy and invisible hand; production possibility frontier; Opportunity cost - accounting profit and economic profit; market failure, externality, public goods and economic role of Government

**Unit II:** Demand and Supply analysis: (10 lectures)

- Determinants of demand – market demand function - theory of attributes, snob appeal, band wagon and Veblen effect and demand function. Law of supply- elasticity of supply
- Applications of elasticity of demand and supply to economic issues : Paradox of bumper harvest- tax on price and quantity - minimum floor and maximum ceilings : minimum wages controversy and Administered price control
- The theory of consumer choice - Consumer preference and budget constraint - equilibrium position of tangency with the help of Indifference curve analysis- effect of changes in price and income on consumer equilibrium

**Unit III:** Production decisions and Cost analysis: (5 lectures)

- Production function - short run and long run - Law of variable proportion, returns to scale, scale economies, scope economies- least cost factor combination for a given output- Expansion path and Multiproduct firm- cost reduction through experience - learning curve
- Economic analysis of Cost: Classification of costs, short run and long run cost functions.

## **Unit IV: Market structure analysis: :**

(10 lectures)

- Difference between perfectly and imperfectly competitive markets -Perfect competition and Monopoly as limiting cases of market imperfections - Sources of market power - profit maximisation of simple and discriminating monopolist- methods of measuring monopoly power - Public policy towards monopoly power
- Different forms of imperfect competition - Monopolistic competition and Oligopoly - Strategic decision making in oligopoly markets- collusive and non collusive oligopoly- colliding oligopoly : rivalry among few, price war and kinked demand curve- collusive oligopoly models of price leadership and cartel - basic concepts of game theory - Using Game theory to analyse strategic decisions - application of model of prisoner's dilemma in market decisions

### **Suggested Readings:**

#### **Core Readings**

1. Salvatore, D.: Managerial Economics in a global economy (Thomson South Western Singapore, 2001)
2. Frank Robert.H, Bernanke. Ben S., Principles of Economics (Tata McGraw Hill (ed.3)
3. Gregory Mankiw., Principles of Economics, Thomson South western (2002 reprint)
4. Samuelson & Nordhas.: Economics (Tata McGraw Hills, New Delhi, 2002)
5. Hirchey .M., Managerial Economics, Thomson South western (2003)
6. Mehta, P.L.: Managerial Economics – Analysis, Problem and Cases (S. Chand & Sons, N. Delhi, 2000)

#### **Additional Readings**

1. Koutsyiannis, A., Modern Microeconomics, Macmillan Press Ltd (1998 Reprint).
2. Varian, Micro-Economic Analysis (ed. 3), Norton, 1992.
3. Dean, Joel: Managerial Economics (Prentice Hall of India, N. Delhi, 2002)
4. Gupta, G.S.: Managerial Economics (Tata McGraw Hill, N. Delhi, 1997)
5. Sen Anindya, Micro -Economics: Theory and Applications, Oxford University Press, New Delhi, 1999.

#### **Current Readings**

Economic and Political Weekly

Indian Economic Review

Financial Dailies

**M.Com. Core Course in Economics Semester – II**  
**Paper II : Macroeconomic concepts and applications**

**Preamble**

The heavily application-oriented nature of macroeconomics subject is introduced in order to enable the post graduate students to grasp fully the theoretical rationale behind policies at the country as well as corporate level. This paper helps the students to receive a firm grounding on the basic macroeconomic concepts that strengthen analysis of crucial economic policies. Students are expected to regularly read suggested current readings and related articles in the dailies and journals are analysed class rooms.

**Unit-I** (5 lectures)

Aggregate Income and its dimensions: National income aggregates - and measurement; - GNP, GDP, NDP, Real and nominal income concepts, measures of inflation and price indices - GDP deflator, - Nominal and real interest rates- PPP income and HDI

**Unit- II** (5 lectures)

Keynesian concepts of Aggregate Demand (ADF), Aggregate Supply (ASF), Interaction of ADF and ASF and determination of real income; Inflationary gap  
Policy trade- off between Inflation and unemployment – Phillips’ curve – short run and long run-

**Unit - III** (10 lectures)

The IS-LM model: Equilibrium in goods and money market; Monetary and real influences on IS-LM curves, Economic fluctuations and Stabilisation policies in IS-LM framework - Transmission mechanism and the crowding out effect; composition of output and policy mix, IS-LM in India

**Unit - IV** (10 lectures)

International aspects of Macroeconomic policy: Balance of payments disequilibrium of an open economy - corrective policy measures -Expenditure changing policies and expenditure switching policies BOP adjustments through monetary and fiscal policies -The Mundell-Fleming model - Devaluation, revaluation as expenditure switching policies - effectiveness of devaluation and J - curve effect

**Suggested readings**

- 1) Dornbusch. R, Fisher.S., Macroeconomics, Tata McGraw-Hill 9th edition
- 2) D’Souza Errol., Macroeconomics, Pearson Education 2008
- 3) Gupta G.S., Macroeconomics Theory and Applications, Tata McGraw-Hill, New Delhi 2001
- 4) Dwivedi D.N., Macroeconomics theory and policy, Tata McGraw-Hill, New Delhi 2001

**Current Readings**

Economic and Political Weekly  
Indian Economic Review  
Financial Dailies