

# ECONOMICS

## Course Structure

Parts/Units	Topics	Marks
<b>Part A</b>	<b>Introductory Microeconomics</b>	<b>50</b>
I	Introduction	6
II	Consumer Equilibrium and Demand	16
III	Producer Behaviour and Supply	16
IV	Forms of Market and Price Determination	12
<b>Part B</b>	<b>Introductory Macroeconomics</b>	<b>50</b>
V	National Income and Related Aggregates	15
VI	Money and Banking	8
VII	Determination of Income and Employment	12
VIII	Government Budget and the Economy	8
IX	Balance of Payment	7
<b>Total (Part A + Part B)</b>		<b>100</b>

## Course Syllabus

### Part A: Introductory Microeconomics

#### Unit 1: Introduction

- Meaning of microeconomics and macroeconomics
- What is an economy?
- Central problems of an economy: what, how and for whom to produce
- Concepts of production possibility frontier and opportunity cost

## **Unit 2: Consumer Equilibrium and Demand**

- Consumer's equilibrium:
  - Meaning of utility
  - Marginal utility
  - Law of diminishing marginal utility
  - Conditions of consumer's equilibrium using marginal utility analysis
- Indifference curve analysis of consumer's equilibrium:
  - The consumer's budget (budget set and budget line)
  - Preferences of the consumer (indifference curve, indifference map)
  - Conditions of consumer's equilibrium
- Demand:
  - Market demand
  - Determinants of demand
  - Demand schedule
  - Demand curve and its slope
  - Movement along and shifts in the demand curve
  - Price elasticity of demand - factors affecting price elasticity of demand
  - Measurement of price elasticity of demand:
    - percentage-change method
    - geometric method (linear demand curve)
  - Relationship between price elasticity of demand and total expenditure

## **Unit 3: Producer Behaviour and Supply**

- Production function:
  - Short-Run
  - Long-Run
- Total Product:
  - Average Product
  - Marginal Product
- Returns to a Factor

- Cost and Revenue:
  - Short run costs - total cost, total fixed cost, total variable cost
  - Average cost; Average fixed cost, average variable cost and marginal cost-meaning and their relationship
- Revenue:
  - Total revenue
  - Average revenue
  - Marginal revenue - meaning and their relationship
- Producer's equilibrium:
  - Meaning and its conditions in terms of marginal revenue-marginal cost
- Supply:
  - Market supply
  - Determinants of supply
  - Supply schedule
  - Supply curve and its slope
  - Movements along and shifts in supply curve
  - Price elasticity of supply
  - Measurement of price elasticity of supply:
    - Percentage change method and
    - Geometric method

#### **Unit 4: Forms of Market and Price Determination**

- Perfect competition:
  - Features
  - Determination of market equilibrium
  - Effects of shifts in demand and supply
- Other Market Forms:
  - Monopoly
  - Monopolistic competition
  - Oligopoly - their meaning and features

- Simple Applications of Demand and Supply:
  - Price ceiling
  - Price floor

## **Part B: Introductory Macroeconomics**

### **Unit 5: National Income and related aggregates**

- Some basic concepts:
  - Consumption goods
  - Capital goods
  - Final goods
  - Intermediate goods
  - Stocks and flows
  - Gross investment
  - Depreciation
- Circular flow of income:
  - Methods of calculating National Income:
    - Value Added or Product method
    - Expenditure method
    - Income method
- Aggregates related to National Income:
  - Gross National Product (GNP)
  - Net National Product (NNP)
  - Gross and Net Domestic Product (GDP and NDP):
    - At market price
    - At factor cost
  - National Disposable Income (gross and net)
  - Private Income
  - Personal Income and Personal Disposable Income
  - Real and Nominal GDP
- GDP and Welfare

## **Unit 6: Money and Banking**

- Money - its meaning and functions
- Supply of money:
  - Currency held by the public
  - Net demand deposits held by commercial banks
- Money creation by the commercial banking system
- Central bank and its functions (example of the Reserve Bank of India):
  - Bank of issue
  - Govt. Bank
  - Banker's Bank
  - Controller of Credit through Bank Rate
  - CRR
  - SLR
  - Repo Rate
  - Reverse Repo Rate
  - Open Market Operations
  - Margin requirement

## **Unit 7: Determination of Income and Employment**

- Aggregate demand and its components
- Propensity to consume and propensity to save (average and marginal)
- Short-run equilibrium output
  - Investment multiplier and its mechanism
- Meaning of full employment and involuntary unemployment
- Problems of excess demand and deficient demand:
  - measures to correct them - change in government spending, taxes and money supply

## **Unit 8: Government Budget and the Economy**

- Government budget:
  - Meaning
  - Objectives
  - Components
- Classification of receipts:
  - Revenue receipts
  - Capital receipts
- Classification of expenditure:
  - Revenue expenditure
  - Capital expenditure
- Measures of government deficit:
  - Revenue deficit
  - Fiscal deficit
  - Primary deficit

## **Unit 9: Balance of Payments**

- Balance of payments account:
  - Meaning and components
  - Balance of payments deficit-meaning
- Foreign exchange rate:
  - meaning of fixed and flexible rates
  - managed floating
- Determination of exchange rate in a free market