

ECONOMICS

Course Structure

Parts/Units	Topics	Marks
Part A	Introductory Microeconomics	50
I	Introduction	6
II	Consumer Equilibrium and Demand	16
III	Producer Behaviour and Supply	16
IV	Forms of Market and Price Determination	12
Part B	Introductory Macroeconomics	50
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
Total (Part A + Part B)		100

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