

PAPER  
**4**

**FOUNDATION COURSE**  
**STUDY MATERIAL**  
**BUSINESS ECONOMICS**



**Board of Studies (Academic)**  
**The Institute of Chartered**  
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# SYLLABUS

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## PAPER – 4: BUSINESS ECONOMICS (100 MARKS)

### Objective:

To develop an understanding of the concepts and theories of Economics and to acquire the ability for addressing application-oriented issues.

### Contents:

#### 1. Introduction to Business Economics

Meaning and scope of Business Economics

Basic Problems of an Economy and Role of Price Mechanism.

#### 2. Theory of Demand and Supply

Meaning and Determinants of Demand, Law of Demand and Elasticity of Demand – Price, Income and Cross Elasticity

Theory of Consumer's Behaviour –Indifference Curve approach

Meaning and Determinants of Supply, Law of Supply and Elasticity of Supply, Market Equilibrium and Social Efficiency.

#### 3. Theory of Production and Cost

Meaning and Factors of Production, Short Run and Long Run

Law of Production – The Law of Variable Proportions and Laws of Returns to Scale, Producer's Equilibrium

Concepts of Costs – Short-run and long-run costs, Average and Marginal Costs, Total, Fixed and Variable Costs

#### 4. Price Determination in Different Markets

Market Structures: Perfect Competition, Monopoly and Monopolistic Competition. Using Game Theory to study Oligopoly.

Price Determination in these Markets

Price- Output Determination under different Market Forms

#### 5. Determination of National Income

a. Macro Economic Aggregates and Measurement of National Income

- b. Determination of National Income: Keynes' Two Sector Basic Model, Three Sectors and Four Sectors Models

## **6. Business Cycles**

- ♦ Meaning
- ♦ Phases
- ♦ Features
- ♦ Causes behind these Cycles

## **7. Public Finance**

- a. Fiscal functions: An Overview, Centre and State Finance
- b. Market Failure/ Government intervention to correct market failure.
- c. Process of budget making: Sources of Revenue, Expenditure Management, and Management of Public Debt.
- d. Fiscal Policy

## **8. Money Market**

- a. Concept of Money Demand
- b. Important theories of Demand for Money
- c. Concept of Money Supply, Cryptocurrency and other new terminology
- d. Monetary Policy

## **9. International Trade**

- a. Theories of International Trade including theories of intra-industry trade by Krugman.
- b. Trade Policy – The Instruments of Trade Policy
- c. Trade Negotiations
- d. Exchange Rates and its economic effects
- e. International Capital Movements: Foreign Direct Investment

## **10. Indian Economy** (Before 1950- Chanakya and Nand Vansh, OECD Paper (1950-1991), Basic knowledge 1991 Onwards)