

ADAMA SCIENCE AND TECHNOLOGY UNIVERSITY
School of Humanities and Social Sciences (SoHSS)

Course Outline

Course Title: Principle of Economics

Course No. SOS-311

Course Description

The course introduces students with theory of consumer behavior, production, and cost of production in a perfectly competitive market structure. In these theories how decisions are made by different economic agents will be discussed. Furthermore, the course covers different characteristics of perfect and imperfect market structures. Lastly the course tries to introduce basic macroeconomic concepts such as national income accounting, unemployment, inflation, fiscal and monetary policy instruments.

Course Objective

After the completion of this course, students will be able to:

- Introduce and acquaint students with the preliminary principles (theories) of economics
- Explains how the two market forces operate to clear the market
- To explain how to measure the responsiveness of consumers and produces for the change in determinants of demand and supply
- Describe how demand is derived from consumers decision making behavior
- Provide the overview of economic theory of production and cost
- Explain different concepts of macroeconomics.

Chapter One: Definition and Nature of Economics (9 hrs.)

- 1.1. Definition of economics
- 1.2. Scope of economics
- 1.3. Central goals of Economics
- 1.4. Basic Economic Problems and Alternative Economic Systems
- 1.5. Scarcity and the Production Possibility Curve
- 1.6. Decision Making Units and The Circular flow of Economic Activities

Chapter Two: Theory of Demand and Supply in a Perfectly Competitive Market (12 hrs.)

- 2.1 Overview of Market Structure
 - 2.1.1 Definition and Assumptions of Perfectly Competitive Market
 - 2.1.2 Definition and Basic Characteristics of Monopoly
 - 2.1.3 Definition and Basic Characteristics of Monopoly
 - 2.1.4 Definition of Monopolistic Competition
- 2.2 . Theory of Demand
 - 2.2.1 Definition of Demand
 - 2.2.2 Law of demand
 - 2.2.3 Demand Function, Schedule and Curve
 - 2.2.4 Individual demand vs. market demand
 - 2.2.5 Determinants of demand
- 2.3 Theory of Supply
 - 2.3.1 Definition of Supply
 - 2.3.2 Law of Supply
 - 2.3.3 Supply Function, Schedule and Curve
 - 2.3.4 Individual supply vs. Market supply
 - 2.3.5 Determinants of Supply
- 2.4 Market Equilibrium
 - 2.3.1 Definition
 - 2.3.2. Change in Market Equilibrium
 - Changes in Supply
 - Change in Demand
 - Change in Both Demand and Supply



2.5 Elasticity of Demand and Supply

Chapter Three: Theory Consumer Behavior (9hrs.)

3.1 Assumptions of consumer behavior analysis

3.2 Definition of Utility

3.3 The Concept of Cardinal Utility

3.3.1 Assumptions

3.3.2 Total and Marginal Utility

3.3.3 Deriving Cardinal Demand Curve

3.4 The Concept of Ordinal Utility

3.4.1. Assumptions

3.4.2. Indifference Curve

3.4.3. Consumer Budget Constraint

3.4.4. Equilibrium (Graphically)

Chapter Four: Theory of Production and Cost (9 hrs.)

4.1 Theory Production

4.1.1 The Concept Production in the Short Run

4.1.2 Long Run Production

4.1.3 The Concept, Properties, and slope of Iso-quant

4.1.4 The Concept of Iso-Cost

4.1.5 Graphical Representation of Long run equilibrium

4.2 Theory of Cost

4.2.1 Definition and Type of Cost (Private Vs Social Cost and Implicit Vs Explicit costs)

4.2.2 Short run vs. long run costs

4.2.3 Fixed and variable costs

4.2.4 Relationship between short run cost and production curves.

Chapter 5: Macroeconomics (9 hrs.)

5.1. National Income Accounting

5.2. Definition and measurements of national income

5.3. Real and Nominal GDP

5.4. Approaches to measure GDP

5.5. Fluctuation in economic activities

5.5.1. Business Cycle

5.5.2. Unemployment

5.5.3. Inflation

5.6. Policy Instruments: fiscal and monetary policy

Evaluation

- Test: 20 % ✓ 20% (50)
- Mid exam: 30%

- Group Assignment: 10%
- Final exam: 40%

References

- PAULA SAMUELSON and WILLIAM D. NORDHAUS (2009). Economics, Mc- Graw Hill International, USA
- N. GREGORY MANKIW (2018), PRINCIPLES OF ECONOMICS, Eighth Edition, HARVARD UNIVERSITY, USA
- Ferguson and Coulds (1989) Micro Economics Theory. Richard Irwin Inc., USA
- Paul Krugman and Robin Wells (2013), THIRD EDITION. PRINCETON UNIVERSITY, USA
- Amacher and Ulvrich (1989). Principles Of Economics, South-Western Publication Co, USA
- Bowden (1986). Economics, South-Western Publication Co, USA
- N.B. Any literature concerning General Economics including Microeconomics and Macroeconomics can be used as a reference