

SYLLABUS

Paper-IV: Business Economics

Max. Marks : 100

Time : 3 Hours

Note : Ten questions shall be set in the question paper with a minimum of three questions from each unit. The candidate shall be required to attempt five questions in all, selecting at least one question but not more than two from each unit.

- Unit-I** **Introduction:** Basic problems of an economy; Working of price mechanism.
Elasticity of Demand : Concept and measurement of elasticity of demand; Price, income and cross elasticities; Average revenue, marginal revenue, and elasticity of demand; Determinants of elasticity of demand; Importance of elasticity of demand.
Production Function: Law of variable proportions, Iso-quants; Economic regions and optimum factor combination; Expansion path; Returns to scale; Internal and external economies and dis-economies; Ridge lines.
- Unit-II** **Theory of Costs:** Short-run and long-run cost curves-traditional and modern approaches.
Market Structures: Market Structures and business decisions; Objectives of a business firm.
 (a) **Perfect Competition:** Profit maximization and equilibrium of firm and industry; Short-run and long run supply curves; Price and output determination; Practical applications.
 (b) **Monopoly:** Determination of price under monopoly; Equilibrium of a firm; Comparison between perfect competition and monopoly; Multi-plant monopoly; Price discrimination. Practical applications.
 (c) **Monopolistic Competition:** Meaning and characteristics; Price and output determination under monopolistic competition; Product differentiations; Selling costs; Comparison with perfect competition; Excess capacity under monopolistic competition.
 (d) **Oligopoly:** Characteristics, indeterminate pricing and output; Classical models of oligopoly; Price leadership; Collusive oligopoly; Kinked demand curve.
- Unit-III** **Factor Pricing-I:** Marginal Productivity theory and demand for factors; Nature of supply of factor inputs; Determination of wage rates under perfect competition and monopoly; Exploitation of labour; Rent-concept; Ricardian and modern theories of rent; Quasi rent.
Factor Pricing-II: Interests-concept and theories of interest; Profit-nature, concepts, and theories of profit.