

**Far Western University
Faculty of Management
Syllabus**

Course Title:	<i>Principles of Microeconomics</i>	Course Code:	<i>ECO 114</i>
Year:	<i>First</i>	Level:	<i>Undergraduate</i>
Semester:	<i>I</i>	Program:	<i>BBA</i>
Credits hours:	<i>3</i>	Lecture hours:	<i>48</i>

Course Description

Microeconomics deals with basic principles in business economics. The course concerns the introductory part, the demand and supply rules analysis, consumer behaviour, production theory, costs, and revenues. In addition, it explains the features of various markets, prices, output, and preliminary theories of determining factor pricing.

Course Objectives

The course aims to acquaint the students with basic concepts of microeconomic theory. This course aims to enhance the understanding of microeconomic principles with their practical applications by developing students' knowledge and skills in applying theories in business decision-making in the modern business era.

Learning Outcomes

After studying this course, students will be able to:

- Understand the basic concepts of microeconomics.
- Analyze the concept of elasticity in demand and supply.
- Understand consumer behaviour regarding ordinal and cardinal approaches.
- Describe the concept, law, and theory of production functions.
- Compare and analyze the various concepts of costs and revenues.
- Enable to become familiar with different types of markets.
- Understand the theory of factors pricing rent, wages, interest, profit, and their determination.

Course Contents

Unit 1: Introduction and Basic Concepts

LH 6

- Meaning and definition of microeconomics
- Basic microeconomic issues: scarcity, efficiency and alternative uses of resources
- Differences between microeconomics and macroeconomics.
- Nature of microeconomics: normative economics and positive economics.
- Importance of microeconomics in business decision-making
- Economic models: meaning and use of economic models

Unit 2: Demand and Supply Analysis

LH 8

- Demand: Meaning of demand and quantity demanded, individual demand curve and market demand curve, determinants of demand, movements along demand curve and shift of demand curve
- Supply: Meaning of supply and quantity supplied, individual supply curve and market supply curve, determinants of supply, movements along supply curve and shift of supply curve
- Equilibrium in the market: meaning and explanation regarding to excess demand, excess supply, ceiling price, and floor price
- Elasticity of demand: meaning and types of price elasticity, income elasticity, and cross elasticity; measurement of price elasticity of demand: total expenditure method, point elasticity, and arc elasticity
- Elasticity of supply: basic concepts and types
- Use of elasticity in business
- Numerical exercise

Unit 3: Theory of Consumer Choice**LH 8**

- Concepts of utility, the law of diminishing marginal utility
- Cardinal analysis Vs. Ordinal analysis
- Ordinal analysis: Indifference curve: properties, marginal rate of substitution (MRS); concept of budget line or budget constraint; consumer's equilibrium: interaction of indifference curve and budget line, price effect and price consumption curve of normal goods, income effect and income consumption of normal goods, and substitution effect; derivation of demand curve using ordinal analysis
- Numerical exercise

Unit 4: Production Theory**LH 6**

- Concepts of production function
- Production functions with one variable input: total, average, and marginal product; law of variable proportions
- Production functions with two variable inputs and concept of Cobb-Douglas production function; Isoquants: marginal rate of technical substitution (MRTS); optimal combination of inputs: Isocost lines and expansion path; optimal input combination
- Economies and diseconomies of scale and laws of returns to scale
- Numerical exercise

Unit 5: Theory of Costs and Revenues**LH 8**

- Concepts and types of costs: fixed and variable costs, accounting, opportunity cost, explicit cost vs implicit cost, economic costs, and sunk costs
- Short-run total, average, and marginal costs: meaning, schedules and curves
- Long-run total, average, and marginal costs: meaning, schedules and curves
- Relationship between marginal cost and average cost
- Concepts of revenues: total, average, and marginal revenues in perfect and imperfect markets: meaning, schedules and curves
- Profit maximization
- Relationship between elasticity and revenue
- Numerical exercise

Unit 6: Market Structures and Product Pricing**LH 8**

- Concept of market
- Perfect competition: concept, features, short-run supply curve and shutdown point; price and output determination in the short-run; price and output determination in the long-run
- Monopoly: concept, features, price and output determination in the short-run; price and output determination in the long run; sources of monopoly; social costs of monopoly
- Monopolistic competition: concept, features; price and output determination in short-run, price and output determination in the long-run
- Oligopolistic competition: concept and features
- Numerical exercise

Unit 7: Theory of Factor Pricing**LH 4**

- Rent: meaning, modern theory of rent
- Wages: meaning, marginal productivity theory of rent
- Interest: meaning, the liquidity preference theory of interest
- Profit: meaning, calculation of business profit and economic profit, innovation theory of profit

Basic Textbooks:

Mankiw, N.G. (2011). *Principles of microeconomics* (6th ed.). South-Western Collegem publications.
Salvatore, D. (2011). *Managerial economics*. Oxford University Press.

Reference Books:

Gillespie, A. (2010). *Business economics*. Oxford University Press.
Lipsey, R., & Chrystal, A. (2011). *Economics* (12th ed.). Oxford University Press.
Pindyck, R.S., Rubinfeld, D. L., & Mehata, P. L. (2009). *Microeconomics*. Pearson.