



**Diploma in Business Economics (870) - Economics**




<b>Prerequisites:</b> Knowledge of accounting and business terminology.	<b>Corequisites:</b> A pass or better in Certificate in Business Studies or equivalence.
<b>Course Description:</b> Candidates are introduced to economic principles and methods, including microeconomics (operation of the economy at the individual and firm level) and macroeconomics (nature and functions of the national economy in a global context). The course covers the theory of markets, including consumer and producer choice and how they interact to determine prices and resource allocations. Applications include price controls, production, market structures, environmental economics, governmental regulation of the economy, labour and capital markets, and international exchange.	
<b>Required Materials:</b> Recommended Learning Resources.	<b>Supplementary Materials:</b> Lecture notes and tutor extra reading recommendations.
<b>Special Requirements:</b> Requires intensive practice outside of class time.	
<p><b>Intended Learning Outcomes:</b></p> <p>1 Explore how people, institutions, and society make choices under conditions of scarcity. Analyse limits, alternatives, and choices</p> <p>2 Illustrate how the market system and the command system are the two broad types of economic systems. Describe the market system and the circular flow.</p> <p>3 Define demand. Analyse the demand, supply, and market equilibrium models.</p> <p>4 Understand elasticity of demand and supply measurements.</p>	<p><b>Assessment Criteria:</b></p> <p>1.1 Define economics and the features of the economic perspective.</p> <p>1.2 Analyse the role of economic theory in economics.</p> <p>1.3 Provide the distinction between microeconomics and macroeconomics.</p> <p>1.4 Describe the categories of scarce resources and the nature of the economic problem.</p> <p>2.1 Analyse the difference between a command system and a market system.</p> <p>2.2 Describe the characteristics of the market system.</p> <p>2.3 Describe how the market system adjusts to change and promotes progress.</p> <p>2.4 Analyse the mechanics of the circular flow model.</p> <p>3.1 Define what demand is and what affects it.</p> <p>3.2 Describe what supply is and what affects it.</p> <p>3.3 Describe how supply and demand together determine market equilibrium.</p> <p>3.4 Describe how changes in supply and demand affect equilibrium prices and quantities.</p> <p>3.5 Describe what government-set prices are and how they can cause product surpluses and shortages.</p> <p>4.1 Define price elasticity of demand and how it can be measured.</p> <p>4.2 Define how price elasticity of demand affects total revenue.</p> <p>4.3 Define price elasticity of supply and how it can be measured.</p> <p>4.4 Explore how price elasticity of demand and supply can be applied to real-world</p>

<p>5 Analyse private and public goods. Describe how market failure is a role for the government.</p>	<p>situations.</p> <p>4.5 Analyse income elasticity and how it can be applied.</p> <p>5.1 Describe how public goods are distinguished from private goods.</p> <p>5.2 Describe the method for determining the optimal quantity of a public good.</p> <p>5.3 Describe externalities (spillover costs and benefits) and the methods to remedy them.</p> <p>5.4 Describe the difference between the benefits-received and ability-to-pay principles of taxation.</p> <p>5.5 Describe the differences between proportional, progressive, and regressive taxes.</p>
<p>6 Define corporation. Describe the different forms of corporate business organisations</p>	<p>6.1 Describe why economic costs include both explicit (revealed and expressed) costs and implicit (present but not obvious) costs.</p> <p>6.2 Describe how the law of diminishing returns relates to a firm's short-run production costs.</p> <p>6.3 Discuss the distinctions between fixed and variable costs and among total, average, and marginal costs.</p> <p>6.4 Describe the link between a firm's size and its average costs in the long run.</p>
<p>7 Describe competitive industry.</p>	<p>7.1 Describe the basic market models</p> <p>7.2 Define the conditions required for purely competitive markets.</p> <p>7.3 Describe how purely competitive firms maximize profits or minimize losses.</p> <p>7.4 Describe why the marginal-cost curve and supply curve of competitive firms are identical.</p> <p>7.5 Describe how industry entry and exit produce economic efficiency.</p> <p>7.6 Describe the differences between constant-cost, increasing-cost, and decreasing-cost industries.</p>
<p>8 Describe a monopolist market</p>	<p>8.1 Analyse the characteristics of pure monopoly.</p> <p>8.2 Describe how a pure monopoly sets its profit-maximizing output and price.</p> <p>8.3 Describe the economic effects of monopoly.</p> <p>8.4 Describe why a monopolist might prefer to charge different prices in different markets.</p> <p>8.5 Describe the antitrust laws that are used to deal with monopoly.</p>
<p>9 Understand the operations of monopolistic competitive firms and oligopoly industries</p>	<p>9.1 Describe the characteristics of monopolistic competition.</p> <p>9.2 Describe why monopolistic competitors earn only a normal profit in the long run.</p> <p>9.3 Describe the characteristics of oligopoly.</p> <p>9.4 Describe why the demand curve of an oligopolist may be kinked.</p> <p>9.5 Describe the incentives and obstacles to</p>

<p>10 Analyse demand for labour. Describe wage determinants</p>	<p>collusion among oligopolists.  9.6 Describe the positive and potential negative effects of advertising.  10.1 Describe why the firm's marginal revenue product curve is its labour demand curve.  10.2 Describe the factors that increase or decrease labour demand.  10.3 Describe the determinants of elasticity of labour demand.  10.4 Describe how wage rates are determined in competitive and monopsonistic labour markets.  10.5 Describe how unions increase wage rates.  10.6 Describe the major causes of wage differentials.</p>
<p>11 Describe Gross Domestic Product (GDP), growth, and instability</p>	<p>11.1 Describe how gross domestic product (GDP) is defined and measured.  11.2 Describe how economists distinguish between nominal GDP and real GDP.  11.3 Discuss the long-term trend of economic growth and the primary phases of the business cycle.  11.4 Describe how unemployment and inflation are measured.  11.5 Discuss the types of unemployment and inflation and their various economic impacts.</p>
<p>12 Describe aggregate demand and aggregate supply models.</p>	<p>12.1 Define aggregate demand (AD) and the factors that cause it to change.  12.2 Define aggregate supply (AS) and the factors that cause it to change.  12.3 Describe how AD and AS determine an economy's equilibrium price level and level of real GDP.  12.4 Define how the AD-AS model explains periods of demand-pull inflation, cost-push inflation, and recession.</p>
<p>13 Describe the role played by the Government in the economy. Describe fiscal policy, deficits, and debt</p>	<p>13.1 Analyse the purposes, tools, and limitations of fiscal policy.  13.2 Describe the role of built-in stabilizers in dampening business cycles.  13.3 Describe how the standardised budget reveals the status of fiscal policy.  13.4 Describe the size, composition, and consequences of the public debt.</p>
<p>14 Define money. Analyse UK's banking system.</p>	<p>14.1 Describe the functions of money and the components of the money supply.  14.2 Describe what "backs" the money supply.  14.3 Describe the makeup of the Reserve bank and the UK banking system.  14.4 Describe the functions and responsibilities of the Reserve Bank.  14.5 Describe how banks create money in a "fractional reserve" banking system.</p>
<p>15 Demonstrate the goal of the monetary policy</p>	<p>15.1 Describe how the equilibrium interest rate is determined in the market for money.  15.2 Describe the goals and tools of monetary</p>

16	Describe economic growth measurements	15.3	policy. Define the mechanisms by which monetary policy affects GDP and the price level.
		15.4	Describe the effectiveness of monetary policy and its shortcomings.
		16.1	Discuss the general ingredients of economic growth and how they relate to production possibilities analysis and long-run aggregate supply.
		16.2	Discuss "growth accounting" and the specific sources of a country's economic growth.
		16.3	Discuss why UK productivity growth has accelerated since the mid-1990s.
		16.4	Discuss differing perspectives on whether growth is desirable and sustainable.
		16.5	Discuss the paths to growth for low-income nations.

### **Recommended Learning Resources: Economics**

<b>Text Books</b>	<ul style="list-style-type: none"> <li>• Economics by David Begg, Stanley Fischer and Rudiger Dornbusch. ISBN-10: 0077107756</li> <li>• Economics by John Sloman. ISBN-10: 1405847182</li> <li>• Essentials of Economics by John Sloman. ISBN-10: 1405854413</li> </ul>
<b>Study Manuals</b> 	BCE produced study packs
<b>CD ROM</b> 	Power-point slides
<b>Software</b> 	None