

**ALLAMA IQBAL OPEN UNIVERSITY, ISLAMABAD
(Department of Business Administration)**

MICRO ECONOMICS (5406)

CHECKLIST

SEMESTER: SPRING 2014

This packet comprises the following material:

1. Text Book (one)
2. Course Outlines
3. Assignment No. 1 & 2
4. Assignment Forms (2 sets)

In this packet, if you find anything missing out of the above mentioned material, please contact at the address given below:

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WARNING

1. **PLAGIARISM OR HIRING OF GHOST WRITER(S) FOR SOLVING THE ASSIGNMENT(S) WILL DEBAR THE STUDENT FROM AWARD OF DEGREE/CERTIFICATE, IF FOUND AT ANY STAGE.**
2. **SUBMITTING ASSIGNMENTS BORROWED OR STOLEN FROM OTHER(S) AS ONE'S OWN WILL BE PENALIZED AS DEFINED IN "AIOU PLAGIARISM POLICY".**

Course: Micro Economics (5406)
Level: Associate Degree

Semester: Spring, 2014
Total Marks: 100
Pass Marks: 50

ASSIGNMENT No. 1
(Units: 1–4)

Note: Attempt all questions.

- Q. 1 Differentiate between positive and normative economics. (20)
- Q. 2 Discuss the concept of efficiency and growth in detail. (20)
- Q. 3 Describe the law of equi-marginal utility with suitable examples. (20)
- Q. 4 What is relationship between elasticity of demand and revenue. (20)
- Q. 5 Define indifference curve. Describe the application and uses of indifference curve. (20)

ASSIGNMENT No. 2
(Units: 5–9)

Total Marks: 100

Pass Marks: 50

Note: Attempt all questions.

- Q. 1 Write short notes on the following: (10+10)
- i) Sole proprietorship
 - ii) Returns to scale
- Q. 2 Explain the derivation of average fixed cost, average variable costs, average total costs and marginal cost curves. (20)
- Q. 3 Describe the law of diminishing marginal utility. (20)
- Q. 4 Describe the meaning and classification of markets. Also discuss imperfect markets in detail. (20)
- Q. 5 Explain the determination of equilibrium wage rate under perfect and imperfect market conditions. (20)

MICRO ECONOMICS

Course Outlines (5406)

Unit 1: Nature of Economics and Basic Economic Concepts

- 1.1 Economic: Micro and Macro Economics
- 1.2 Positive and Normative Economics
- 1.3 Is Economics Science or an Art?
- 1.4 Basic Economic Concepts:
 - 1.4.1 Resources and its Scarcity
 - 1.4.2 Scarcity and Choice
 - 1.4.3 Opportunity Cost and its Uses
 - 1.4.4 Production Possibility Frontier
 - 1.4.5 Law of Increasing cost or Diminishing Return
 - 1.4.6 The Concept Economic Efficiency and Growth

Unit 2: Types of Economies

- 2.1 Command Economy
- 2.2 Market Economy
- 2.3 Mixed Economy
- 2.4 Islamic Economic System
- 2.5 Prices System and Resource Allocation

Unit 3: The Theory of Demand and Supply

- 3.1 Utility Analysis
- 3.2 Consumer Behavior
- 3.3 Cardinal and Ordinal Utility
- 3.4 Marginal Utility
- 3.5 Law of Diminishing Marginal Utility
- 3.6 Law of Equi-marginal Utility
- 3.7 Meaning of Demand
- 3.8 Types of Demand
- 3.9 Law of Demand
- 3.10 Limitations of Law of Demand
- 3.11 Derivation of Individual and Market Demand Curve and the Concept of Consumer Surplus
- 3.12 Law of Supply
- 3.13 Derivation of Individual and Market Supply Schedule
- 3.14 Equilibrium of Supply and Demand Curves

Unit 4: Elasticity of Demand and Supply

- 4.1 Measurement of the Elasticity of Demand
- 4.2 Price Elasticity of Demand
- 4.3 Income Elasticity of Demand and Cross-price Elasticity of Demand
- 4.4 The Determinants of the Price Elasticity of Demand
- 4.5 Relationship between Elasticity of Demand and the Revenue
- 4.6 Price Elasticity of Supply in the Short and Long Run
- 4.7 The Applications of and the Uses of Elasticity of Demand and Supply
- 4.8 Supply and Demand Analysis and the Intervention of the Government

Unit 5: Indifference Curve Analysis

- 5.1 Scale of Preferences
- 5.2 Indifference Curves

- 5.3 Properties of Indifference Curve
- 5.4 Marginal Rate of Substitution
- 5.5 Budgetary Constraint and the Determination of Consumer Equilibrium
- 5.6 Income Substitution, Price effects and Derivation of Demand Curve
- 5.7 Superiority and Weaknesses of Indifference Curve Technique
- 5.8 Applications and Uses of Indifference Curve Technique

Unit 6: Forms of Business Organizations

- 6.1 The Nature of the Firm
- 6.2 Sole Proprietorship
- 6.3 Partnership
- 6.4 Private and Public Limited Companies

Unit 7: Theory of Production

- 7.1 Production Function
- 7.2 Total, Average and Marginal Product
- 7.3 Law of Diminishing Return
- 7.4 Returns to Scale
- 7.5 Analysis of Costs: Fixed, Variable and Total Costs
- 7.6 Average Fixed, Average Variable, Average Total Costs and Marginal Costs
- 7.7 Relationship between Production and Costs
- 7.8 Derivation of Average Fixed Cost, Average Variable Costs, Average Total Costs and Marginal Cost Curves
- 7.9 Efficient Level of Production
- 7.10 Long-run Costs: Economies and Diseconomies of Scale
- 7.11 Firm Demand Curve and the Market Demand Curve

Unit 8: Market and Market Structures

- 8.1 Market: Meaning and Classification of Markets
- 8.2 Perfect and Imperfect Markets
- 8.3 Forms of Market Structures: Perfect Competition, Monopolistic Competition, Monopoly and Oligopoly
- 8.4 Conditions for the Determination of Price and Output Relationship of the Firm in each Market in the Short Run and Long-Run

Unit 9: Pricing of Factors of Production

- 9.1 Factor Markets
- 9.2 Factor Supply and the Concept of Marginal Factor Cost
- 9.3 Firm Demand for Factors of Production
- 9.4 Labour, Labour Supply and Demand Curve and the Equilibrium in the Labour Market
- 9.5 Determination of Equilibrium Wage Rate under Perfect and Imperfect Market Conditions
- 9.6 Interest, Rent and Profit
- 9.7 Supply of Capital
- 9.8 Interest, Credit Market, Rate of Interest
- 9.9 Rent, Pure and Economic Rent
- 9.10 Profit: Sources of Economic Profit
- 9.11 Concept of Externalities and the need for Government Intervention in Imperfectly Competitive Market Conditions.

