



GITAM INSTITUTE OF MANAGEMENT (GIM)
Gandhi Institute of Technology and Management (GITAM)
 (Declared as Deemed to be University u/s 3 of UGC Act. 1956)
 Visakhapatnam – 45.

Course Code: MBG 103	Course Title: Business Economics	
Semester: I	Course Type: Core	Credits: 3
Home Programme(s):BBA(BA) (20-21) Admitted Batch		
Course Leader:		

Course description and learning objectives

This course primarily deals with the economic context of business and how competition, the behavior of financial markets, and economic policies of government influences an organization. It also provides an insight into the key microeconomic techniques underlying price determination and profit maximization decisions.

Learning objectives:

The objectives of the course are:

- Providing the key micro and macroeconomic techniques underlying price determination and profit maximization decisions and growth of business.
- Understanding the areas of economic activity relevant to an organization’s decisions in line with management accounting.

On successful completion of this course, students will be able to:

	Course Outcomes	Assessment
CO1	Explain the factors affecting the level of Country’s national income and the impact of changing growth rates on organizations	A1, A2 & A3
CO2	Explain the influences on economic development of countries and its effect on business	A1 , A2 & A3
CO3	Demonstrate the determination of prices by market forces and the impact of price changes on revenue from sales	A2, A3 & A4
CO4	Distinguish between the economic goals of various stakeholders and organizations	A2, A3 & A4
CO5	Explain the functions of the main financial markets and institutions in facilitating commerce and development.	A2, A3 & A4

Course outline and indicative content

Unit I - (9 sessions – CO1, CO2, L2)

Microeconomic and Organisational Context of Business: The price mechanism: determinants of supply and demand and their interaction to form and change equilibrium price - The price elasticity of demand and supply. Influences on the price elasticities of demand and supply - Consequences of different price elasticities of demand for total revenue - Sources of internal and external economies of scale and their influence on market concentration - Impacts of changing transactions costs on the decision to outsource aspects of a business (including network organisations, shared service centres, and flexible staffing) –Data and information - Graphs, charts and diagrams: scatter diagrams, histograms, bar charts and ogives - Use of big data and analytics to identify customer value, customer behaviour, cost behaviour and to assist with logistics decisions.

Unit II (9 sessions – CO1, CO2, L2, L3)

Informational Context of Business Continued: Cross-sectional and time-series analysis - The correlation coefficient and the coefficient of determination between two variables- Correlation

coefficient: Spearman's rank correlation coefficient and Pearson's correlation coefficient - Time series analysis – graphical analysis - Seasonal factors for both additive and multiplicative models - Predicted values given a time series model - Seasonal variations using both additive and multiplicative models - Time series analysis – graphical analysis - Seasonal factors for both additive and multiplicative models - Predicted values given a time series model - Seasonal variations using both additive and multiplicative models - Trends in time series – graphs, moving averages and linear regressions - The regression equation to predict the dependent variable, given a value of the independent variable - Forecasting and its limitations.

Unit III (9 sessions – CO1, CO3, L3, L4)

Market Failure, Macro Economic Context of Business: Positive and negative externalities in goods markets and government responses to them including indirect taxes, subsidies, polluter pays policies, regulation and direct provision - Impact of minimum price (minimum wages) and maximum price policies in goods and factor markets. The causes of changes to the equilibrium level of national income using an aggregate demand and supply analysis and the elements in the circular flow of income - The trade cycle and the implications for unemployment, inflation and trade balance of each stage and government macroeconomic policy for each stage - The main principles of public finance: the central government budget and forms of direct and indirect taxation - The main principles of public finance: fiscal, monetary and supply side policies, including relative merits of each - The effects on business of changes in the economic growth rate, interest rates, government expenditure and taxation - Index numbers - The PESTEL framework (Political, Economic, Social, Technological, Environmental/Ecological, Legal).

Unit IV (9 sessions CO1, CO2, CO4, L4, L5)

Macro Economic and institutional Context of Business : The causes and effects of fundamental imbalances in the balance of payments - Policies to encourage free, and protectionist instruments - The effect of changing exchange rates on the profits of business and international competitiveness - Nature of globalisation and factors driving it (improved communications, political realignments, growth of global industries and institutions, cost differentials)- Impacts of globalisation on business including off-shoring, industrial relocation, emergence of growth markets, and enhanced competition - Main trade agreements and trading blocks - Principal institutions encouraging international trade - Role of foreign exchange markets in facilitating international trade and in determining the exchange rate - Governmental and international policies on exchange rates (exchange rate management, fixed and floating rate systems, single currency zones) - The impact of a change in the exchange rate on assets and liabilities denominated in a foreign currency - The effect changing exchange rates has on measures of the economic performance of the business (costs, revenues, profits and asset values) - Forward contracts, futures and options as ways to manage the impact of changes.

Unit V - (9 sessions – CO1, CO5, L1, L5)

The Financial and Macro Economic Context of Business: Types of public, private and mutually owned organizations and their objectives - Types of not-for-profit organizations and their objectives - Concepts of returns to shareholder investment in the short run and long run (and the cost of capital) - The principal-agent problem, its impact on the decisions of organizations -Role and functions of financial intermediaries - Role of financial assets, markets and institutions in helping institutions regulate their liquidity position. Role and influence of commercial banks in credit creation - Role and common functions of central banks including their influence on yield rates and policies of quantitative easing - Simple and compound interest - Calculate an annual percentage rate of interest given a monthly or quarterly rate - Annuities and perpetuities - Discounting to find net present value (NPV) and internal rate of return (IRR). The impact of interest rates on discretionary spending, borrowing, saving, capital investment, and government borrowing and expenditure.

Assessment methods

Task	Task type	Task mode	Weightage (%)
A1: Mid exam	Individual	Written	15
A2: Coursera or any relevant certificate course	Individual	Presentations / Q&A/Viva	10
A3: Topic Presentation/Case Analysis/ Assignment	Individual /Groups	PPT Presentation/Report	15
A4: End exam	Individual	Written (short/long)	60

Mapping COs-Blooms levels- Assessment Tools

Knowledge dimension / Cognitive dimension	L1. Remember	L2. Understand	L3. Apply	L4. Analyze	L5. Evaluate	L6. Create
Factual Knowledge	CO1 (A1, A2)					
Conceptual Knowledge			CO3 (A2,A3, A4)	CO3, CO4 (A2,A3, A4)		
Procedural Knowledge		CO2 (A1,A2, &A3)		CO5 (A2, A3, A4)		
Meta Cognitive Knowledge						

Learning and teaching activities

Case Analysis
 Situation Analysis
 Brainstorming
 Group Discussion
 Research Project
 Chalk and Talk
 Student Presentations

Teaching and learning resources

Soft copies of teaching notes/cases etc. will be uploaded onto the G-learn. Wherever necessary, printouts, handouts etc. will be distributed in the class. Prescribed text book will be provided to all. However, you should not limit yourself to this book and should explore other sources on your own. You need to read different books and journal papers to master certain relevant concepts to analyse cases and evaluate projects. Some of these reference books given below will be available in our library.

Recommended Text Book

Fundamentals of Business Economics, Kaplan Publishers

Additional Reading

1. Fundamentals of Business Economics. Stefan Adams and Paul Periton.CIMA Publishing.

2. 'The Macroeconomic Environment', Dunnett, A (1997), FT/Prentice Hall Dunnett, A (1998)
3. Understanding the Market: An Introduction to Microeconomics, 3rd edition, FT Prentice Hall (except for chapter 17)
4. 'Applied Economics: An Introductory Course', Griffiths, A and Wall, S (2001), 9th edition, FT/Prentice Hall
5. 'Business Economics', Atkinson, B and Millar, R (1999), FT/Prentice Hall

CO PO Mapping

This is to map the level of relevance of the Course Outcome (CO) with Programme Outcome (PO).

0= No Relevance; 1= Low Relevance; 2= Medium Relevance; 3= High Relevance

CO PO Mapping	PO1	PO2	PO3	PO4	PO5	Sum
	CO1	2	0	0	0	1
CO2	2	1	2	3	2	10
CO3	2	1	2	0	1	6
CO4	2	0	2	0	2	6
CO5	2	1	2	3	3	11
Target Level Max.	10	3	8	6	9	36

BBA(BA) - Programme Outcomes (Pos)	
1	Understanding fundamentals of management theories and practices.
2	Integrating the functional areas to achieve organizational objectives.
3	Identify and acquire managerial skills to analyze business problems.
4	Interpret and apply managerial concepts with leadership skills to lead the teams to achieve the objectives.
5	Ability to understand and perform value based entrepreneurial skills.
6	Evaluate and adopt the changing business environment