SEMESTER -III
B.A (Hons) BUSINESS ECONOMICS
Category I

(B.A. Honours in Business Economics in three years)

DISCIPLINE SPECIFIC CORE COURSE – 7 (DSC-7): MICROECONOMICS-II

CREDIT DISTRIBUTION, ELIGIBILITY AND PRE-REQUISITES OF THE COURSE

Course title & Code	Credits	Credit distribution of the course			Eligibility criteria	Pre-requisite of the course (if any)
		Lecture	Tutorial	Practical/ Practice		
Microeconomics-II (DSC 7)	4	3	1	0	Class 12	None

Learning Objectives

This course aims to provide to the student an understanding of:

- the concepts of a market structure and equilibrium in perfectly and imperfectly competitive market situations.
- the possible equilibria in factor markets
- equilibrium in all commodity and factor markets
- the concept of economic welfare and its properties.

Learning outcomes

By studying this course, the students will be able to:

- Identify different forms of market structure, their resource allocation and welfare implications.
- Express rational agent desires in a game theoretic framework.
- Analyse profit maximising strategies under different oligopoly models.
- Use a social welfare function to evaluate societal outcomes

SYLLABUS OF DSC-7

UNIT–I: Market Structure **(18 hours)**

Perfect Competition: Firm equilibrium in the short and long run. Short run supply curve for the firm and the market, long run industry supply; constant, increasing and decreasing cost industry; producer and consumer surplus. Monopoly: Profit Maximisation, multi-plant firm, monopoly power and its measurement, social costs of monopoly, price discrimination. Monopolistic Competition: product differentiation; equilibrium of the firm in the industry-with entry of new firms and with price competition, Comparisons. Oligopoly and Game Theory: Cournot model and reaction curves, Stackelberg's model, Bertrand model, Quantity leadership, Price leadership, Non collusive stable equilibrium,

Simultaneous quantity setting, Collusion, Cartels, Concepts of Game Theory: Dominant strategies and Nash Equilibrium, Mixed strategies, Prisoner's Dilemma.

UNIT – II: Factor Market (10 hours)

Factor pricing in the case of single and many variable factors, demand for labor in a product market with perfect competition and monopoly, monopsony, bilateral monopoly and role of labour unions. Economic rent and quasi rent.

UNIT – III: General Equilibrium (9 hours)

Equilibrium and efficiency under pure exchange and production; Edgeworth box; Pareto optimality conditions; market trade; Walras' law; existence of equilibrium and efficiency; Implications of the first and second welfare theorem.

UNIT – IV: Welfare (8 hours)

Social Welfare Function; welfare maximization, Fair allocation, Envy and equity, Arrow's Impossibility Theorem

Essential/recommended readings

1. Varian, H. R. (2020). Intermediate microeconomics: A modern approach. W. W. Norton.
2. Bernheim, B., Whinston, M. (2009). Microeconomics. Tata McGraw- Hill.
3. Snyder, C., Nicholson, W. (2010). Fundamentals of Microeconomics. Cengage Learning
4. Pindyck, Robert S. & Rubinfeld, Daniel L. (2017). Microeconomics. Pearson

Suggestive readings

1. Dr. Robert E. Hall and Dr. Marc Lieberman. (2009).Microeconomics - Principles and Applications. South Western Educational Publishing.
2. Bergstrom, T., Varian, H. (2014). Workouts in Intermediate Microeconomics. W. W. Norton.
3. Joseph E. Stiglitz and Carl E. Walsh. (2006). Principles of Microeconomics. W. W. Norton & Co.

Note: Examination scheme and mode shall be as prescribed by the Examination Branch, University of Delhi, from time to time.

DISCIPLINE SPECIFIC CORE COURSE – 8 (DSC-8) MATHEMATICS FOR BUSINESS ECONOMICS - II

CREDIT DISTRIBUTION, ELIGIBILITY AND PRE-REQUISITES OF THE COURSE

Course title & Code	Credits	Credit distribution of the course			Eligibility criteria	Pre-requisite of the course (if any)
		Lecture	Tutorial	Practical/ Practice		
Mathematics for Business Economics –II (DSC 8)	4	3	1	0	Class 12	None

Learning Objectives

This course aims to introduce to the student the understanding of

- real multivariate functions and their properties
- the optimisation conditions for real multivariate functions
- differential equations and their applications
- difference equations and applications

Learning outcomes

By studying this course, the students will able to:

- To be adept in the use of differential and integral calculus to examine the properties of functions used in economics and business
- To solve numerical problems of multivariable optimization and properties of the solutions.
- To model business and economic scenarios in mathematical terminology and to appreciate economic models by using formal mathematical methods.

SYLLABUS OF DSC-8

UNIT – I:Multivariable Functions (12 hours)

Geometric representations: graphs and level curves; differentiability: characterisations, properties with respect to various operations and applications; higher order derivatives: properties and applications; the implicit function theorem and application to comparative statics problems; homogeneous and homothetic functions: characterisations and applications

UNIT – II: Multivariable Optimization (15 hours)

Multivariate optimisation: Convex sets; geometric properties of functions: convex functions, their characterisations, properties and applications; further geometric properties of functions: quasiconvex functions, their characterisations, properties and applications; unconstrained optimisation: geometric characterisations, characterisations

using calculus and applications. Multivariate Optimization with constraints: Constrained optimisation with equality constraints: geometric characterisations, Lagrange characterisation using calculus and applications; properties of value function: envelope theorem and applications.

UNIT – III: Economic Dynamics -1 **(9 hours)**

First order differential equations, phase diagrams and stability.

UNIT – IV: Economic Dynamics -2 **(9 hours)**

First order difference equations, equilibrium and stability

Essential/recommended readings

1. Sydsaeter, K., Hammond, P. (2002). Mathematics for economic analysis. Pearson Educational.

Suggestive readings

1. Chiang, Alpha C., and Wainwright Kevin. Fundamental Methods of Mathematical Economics. Boston, Mass: McGraw-Hill/Irwin, 2005
2. Hoy, Michael, Livernois, John, McKenna, Chris, Rees, Ray and StengosThanasis (2011) Mathematics for Economics. Cambridge, Mass. : MIT Press

Note: Examination scheme and mode shall be as prescribed by the Examination Branch, University of Delhi, from time to time.

DISCIPLINE SPECIFIC CORE COURSE – 9 (DSC-9): CORPORATE FINANCE

CREDIT DISTRIBUTION, ELIGIBILITY AND PRE-REQUISITES OF THE COURSE

Course title & Code	Credits	Credit distribution of the course			Eligibility criteria	Pre-requisite of the course (if any)
		Lecture	Tutorial	Practical/ Practice		
Corporate Finance (DSC 9)	4	3	1	0	Class 12	None

Learning Objectives

This course aims to

- introduce the basic concepts of financial management and its objectives.
- provide an understanding of investment decisions and of working capital.
- introduce and discuss the issues in the cost of capital.
- examine the theories and analysis involved in financing decisions and dividend distribution.

Learning outcomes

By studying this course, students will be able to:

- To learn the role and objectives of financial management in business corporations.
- To acquire skills to analyse corporate behaviour during procurement and development of resources.
- To understand capital structure and discuss the factors that financial managers consider while determining a company's financing strategy
- To critically discuss the theories relating to dividends policies and cost of capital

SYLLABUS OF DSC-9

UNIT – I: Introduction (6 hours)

Nature and Scope of Financial Management. Traditional and Modern Approach to the concept of financial management. Functions of finance – Finance Decision, Investment Decision, Dividend Decision. Objectives of Financial Management - Profit Maximisation and Wealth Maximisation. Concept of Time Value of Money.

UNIT – II: Investment Decision (15 hours)

Capital Budgeting - Nature and meaning of capital budgeting; Types of decisions: - Accept-Reject, Replacement, Mutually Exclusive. Estimation of Relevant cash flows. Evaluation techniques - Accounting Rate of Return, Pay Back, Net Present Value, Internal Rate of Return, Profitability Index Method.

Concepts and Definition of working capital. Determining Financing Mix; Permanent and temporary working capital; Determinants of working capital; Computation of Working Capital.

UNIT – III: Cost of Capital (9 hours)

Concept and Measurement of Cost of Capital: Measurement of specific costs - Cost of debt:- perpetual debt and Redeemable debt; Cost of Preference Share; Cost of Equity Capital – Dividend valuation model and CAPM; Cost of Retained Earnings. Computation of Overall Cost of Capital based on book value weights and market value weights.

UNIT – IV: Financing Decision (15 hours)

Leverage Analysis - Operating, Financial, and Combined Leverage, Earning Before Interest and Tax (EBIT) – Earning Per Share (EPS) analysis, Indifference point. Capital structures theories - Net income approach; Net operating income approach; Modigliani-Miller (MM) approach. Factors affecting capital Structure.

Dividend Decision: Relevance and irrelevance of dividends. Residual theory of dividends; Modigliani and Miller hypothesis; Walter's model; Gordon's model. Factors affecting Dividend Policy.

Essential/recommended readings

1. Khan, M.Y., & Jain, P.K. Basic Financial Management. Tata McGraw Hill Education Private Limited.
2. Pandey,I.M. Financial Management. Vikas Publishing House Pvt. Ltd. New Delhi
3. Rustagi, R. P. Fundamentals of Financial Management, Taxmann publication(Pvt) Ltd,New Delhi.

Suggestive readings

1. Van Horne, J.C. Financial Management and Policy. Prentice Hall of India.
2. Levy, H. and Sarnat, M. Principles of Financial Management. Prentice Hall.
3. Brealey, Richard, A., & Myers, Stewart, C. Principles of Corporate Finance. Tata McGraw Hill Publishing Company Limited.
4. Chandra, Prasanna. Financial Management-Theory and Practice. Tata McGrawHill.

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