

# MASTER OF BUSINESS ADMINISTRATION – MBA Kelaniya

## FACULTY OF COMMERCE AND MANAGEMENT STUDIES UNIVERSITY OF KELANIYA

**Course Name: Business Economics**  
**3 credits**

**Lecturer/s** : Dr. Wasanthi Madurapperuma, (Dr. MW)  
*B.A Econ (C'bo), M.A Econ (C'bo); M.Com (Kel), Ph.D.(UK)*  
Mrs. Sunethrani Amarathunge (Mrs. SA)  
*B.A. Econ (Sri J'pura), M.A. Econ (C'bo), M.Sc. Econ (Saga-Japan)*

### Course Prescription

Introduction to economic analysis, with an emphasis on firms and their operating environment. Pricing and output decisions and cost and profit determination in competitive, imperfectly competitive, and monopolistic markets. Macroeconomic factors and policies affecting business activity in an open economy.

### Goals of the Course

Economics is not a collection of facts to be written down and memorized. Economics is a way of thinking about the world – and the world is always changing. Economists have developed a set of simple but widely applicable concepts and principles that are useful for understanding economic situations ranging from decisions that individuals make every day to decisions made by firms and governments in complex markets. The objective of this course is to help students learn and understand these concepts and principles and to apply them to a variety of economic situations.

### Learning Outcomes

By the end of this course it is expected that the student will be able to:

1. Understand and apply supply and demand analysis to relevant economic issues;
2. Apply marginal analysis to the “firm” under different market conditions;
3. Understand the causes and consequences of different market structures
4. Apply economic models to examine current economic issues and evaluate policy options for addressing these issues
5. Analyze the causes and effects of changes in real GDP;
6. Understand the concept of macroeconomic equilibrium and implications for the management of the business cycle
7. Identify and explain changes in the money supply and analyse the effects of monetary policy changes on Sri Lankan economy;
8. Evaluate the effects of government policy measures on the exchange rate and trade.

## Course Objectives:

The objectives of this course are three:

1. Introduce the student to the fundamentals of micro and macro-economic theory and practice as they are applied to business in a managerial context.
2. Provide the student with the basic analytical skills, insights and Managerial decision-making tools required for sound business decisions.
3. Explain the forces that shape the external environment of the firm such as aggregate demand, economic cycles, inflation, interest rates, exchange rates, and the role that demand management policies play in the economy and their impact on the firm's operations.

## Description:

### *Microeconomics (8 weeks)*

Microeconomics deals with the economic behaviour of consumers and firms within an economy. The framework developed is used to examine and evaluate the operation of the market mechanism for various market structures and to evaluate the impact of intervention through public policy on economic efficiency and income distribution.

### *Macroeconomics (7 weeks)*

Macroeconomics examines how economies function in aggregate. In this course we look at the basic relationships that underlie economists' understanding of what drives macroeconomic variables, and how government policy may impact on these in Sri Lankan context.

## Required Textbook: The required textbook for the course is:

C.Bajada . J.Jackson , R. Mclver, E.Wilson Economic Principles McGraw - Hill Education, 2012 (3rd Edition)

Mankiw, N.G., Bandyopadhyay, D., Wooding, P., Gans, J., King, S., Stonecash, R., (Compiled by T. Hazledine, M. Anstis, G. Jayasuriya), *ECON191 Business Economics*, Cengage Learning Custom.Solutions, 1st edition, 2013, ISBN 978-0170246385

All lecture slides will be made available through LMS.

## Assessment

Final Examination: 50%

Quiz : 10%

Assignment 1 : 20%

Assignment 2 : 20%

Schedule of Lectures, Topics and Readings CLASS	DATE	TOPICS
1	Dr. MW	Introduction to Economic Concepts Production Possibilities Curve, Opportunity Cost, Efficiency, Comparative Advantage
2	Dr. MW	The Competitive Market Model Demand, Supply and Equilibrium
3	Dr. MW	Applications of the Competitive Model Elasticity, Floor and Ceiling Prices, Tax Incidence
<b>QUIZ (10%)</b>		
5	Mrs. SA	Consumer behavior
6	Mrs.SA	Production Principles and Productivity Measurement
7	Mrs.SA	Costs of Production and Cost Relationships
8	Dr. MW	The Perfect Competition Market Model
9	Dr. MW	Market Models Monopoly, Oligopoly and Monopolistic Competition Strategic Market Behaviour
10	Mrs.SA	Market Failure I: Uncertainty, Transaction Costs, Contracts and Principal-Agent problems Risk & Uncertainty, Principal-agent problems, risk, moral hazard and adverse selection Market Failure II Externalities and Public Goods
<b>Assignment 01 (20%) - Market Failure</b>		
11	Mrs.SA	The Macroeconomic Environment & its Measures GDP, Balance of Payments, Inflation & Unemployment
12	Mrs.SA	Aggregate Demand & Supply
13	Mrs.SA	Financial System Money, money multiplier, and Monetary Policy
14	Dr. MW	Fiscal Policy & the Public Debt Discretionary, non-discretionary, financing debt
15	Dr. MW	Interest Rate Determination, Central Banking and Monetary Policy
<b>Assignment 02 – 20% - Macroeconomic Data Analysis</b>		
Three-Hour <b>FINAL EXAM</b> (Closed Book – 50%)		