



MACQUARIE UNIVERSITY

**DIVISION OF ECONOMIC AND FINANCIAL
STUDIES**

**POSTGRADUATE DIPLOMA IN ACCOUNTING
And
MASTER OF ACCOUNTING**

STUDY GUIDE

ACCG849 ECONOMIC ANALYSIS

TRIMESTER 2 2008

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POSTGRADUATE DIPLOMA IN ACCOUNTING/MASTER
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ACCG849 ECONOMIC ANALYSIS TRIMESTER 2 2008

Aims and Nature of the Course

Welcome to ACCG849, Economic Analysis. This introductory course surveys the main ideas and concepts involved in modern economics, and provides students with an understanding of how our economy works, what type of problems economists attempt to solve, and how they set about trying to solve them. The first part of the course is primarily concerned with the analysis of individual decision making units, and the behaviour of firms and industries in the economy, that is, with microeconomics. The second part of the course is mainly concerned with macroeconomics or with the study of the economy as a whole or in the aggregate. It thus focuses on matters such as national income, unemployment, inflation, balance of payments, exchange rates, money, and economic growth.

Lectures

There are three hours of lectures per week.

Web Materials

There is no specific web site for ACCG849. However the Power Point Slides used as the basis for each lecture can be accessed by students via the ACCG849 folder in E-Reserve in the library. It is advised that students download these slides for each lecture and bring them to each lecture. A document containing solutions to the end of chapter questions for the first eight chapters in the textbook (the microeconomics part of the course) is available in the E-Reserve folder.

Teaching Staff

Craig MacMillan, E4A427 (02)9850 7290, craig.macmillan@efs.mq.edu.au (Lecturer in Charge)
Pauline McAlary,
Karen Mills,

Workshops

There will be three workshops held during the semester. These workshops are designed to review and reinforce the material covered in lectures and in the set reading. These workshops will be held during normal lecture times. Further details concerning workshops will be provided in class.

Learning Outcomes

After successfully completing this unit, you should be able to

- Understand the need to study the economy from both microeconomic and macroeconomic perspectives
- Understand how the approach taken in economics to the study of the economy differs in key ways to that taken by other subjects, such as accounting
- Follow media commentary on economic matters with much greater understanding
- Continue any future economic studies with increased confidence

All academic programs at Macquarie seek to develop students' generic skills in a range of areas. One aim of this unit is to develop your capacity to engage in problem solving and critical thinking.

Assessment

Assessment in the course will be as follows:

	%
Mid-semester test	20
End of course examination	<u>80</u>
	<u>100</u>

Satisfactory performance in all aspects of assessment is a requirement to pass ACCG849.

Exam Dates

The mid-semester test will be held in class, during the first hour of normal lecture times, in **Week 7**. It will cover all material (lectures, workshop, and textbook readings) dealt with up to and including week 6.

The end of course examination will be a three hour exam held sometime during the end of trimester examination period, **Monday July 28 – Saturday August 2**.

University policy on grading

Academic Senate has a set of guidelines on the distribution of grades across the range from fail to high distinction. Your final result will include one of these grades plus a standardised numerical grade (SNG).

On occasion, your raw mark for a unit (ie., the total of your marks for each assessment item) may not be the same as the SNG which you receive. The process of scaling does not change the order of marks among students. A student who receives a higher mark than another will also receive a higher final scaled mark.

The policy does not require that a minimum number of students are to be failed in any unit.

For an explanation of the policy see

<http://www.mq.edu.au/senate/MQUonly/Issues/Guidelines2003.doc> or

<http://www.mq.edu.au/senate/MQUonly/Issues/detailedguidelines.doc>

Macquarie University rules and regulations

All assessment is subject to the University's rules and information to students set out in the Handbook of Postgraduate Studies. You are particularly referred to rules of the various postgraduate awards; and with the Student Information regarding Plagiarism and Assessment.

Plagiarism

To cheat in the context of university assignments, tests and examinations is to attempt to gain an unfair advantage by violating the principles of intellectual and scholarly integrity. Cheating also encompasses plagiarism, which the University defines in its rules: "Plagiarism involves using the work of another person and presenting it as one's own." Plagiarism is a serious breach of the University's rules and carries significant penalties. You must read the University's practices and procedures on plagiarism. These can be found in the Handbook of Postgraduate Studies noted above, or on the web at:

<http://www.student.mq.edu.au/plagiarism/>

The policies and procedures explain what plagiarism is, how to avoid it, the procedures that will be taken in cases of suspected plagiarism, and the penalties if you are found guilty. Penalties may include a deduction of marks, failure in the unit, and/or referral to the University Discipline Committee.

Student support services

Academic: If you are having difficulty in understanding any of your courses or what is required of you, then contact the lecturer in charge of that course. When lecturers are not in their rooms, it is best to leave a note with your name and telephone number under the door so that the lecturer can ring you back at a convenient time.

Personal: If, for whatever reason, you find yourself in difficulties in relation to your university studies, you are strongly encouraged to inform your lecturer of your situation and how it is affecting you. You don't have to go into personal details if that is not your wish, just outline the facts of the case so that the lecturer is aware of your problem. It is better to do this while the difficulties are occurring rather than afterwards.

Some of you may face personal crises of one sort or another during your university studies. If you desire professional assistance of any kind with your personal problems, you are strongly encouraged to consult one of the very helpful people at the Student Counselling Service, all of whom have experience with a very wide range of situations.

Macquarie University provides a range of Academic Student Support Services. Details can be accessed at: <http://www.student.mq.edu.au>

Further, NCELTR provides Study Skills workshops for MAcc students. For the timetable, see <http://www.accg.mq.edu.au/macc> .

Textbooks

The set text for this course is:

A. Layton, T. Robinson, I. Tucker, *Economics For Today*, Thomson, Australia, Second Edition, 2005.

The textbook will be supplemented by two booklets of course readings, one on microeconomics and the other on macroeconomics. Both these booklets of readings can be purchased from the University Co-operative Bookshop. Further details concerning these booklets of readings will be provided in class.

Course Outline

The topics included in ACCG849 are:

A. Microeconomics

1. Introduction: The Economic Problem, An Overview of the Price Mechanism, Reasons for Government Intervention.
2. Supply and Demand Analysis: Elasticity Concepts.
3. Production and Costs.
4. Pricing in Different Market Structures: Perfect Competition and Monopoly

B. Macroeconomics

1. Basic Macroeconomic Concepts; An Overview of Keynesian Theory.
2. The Income-Expenditure Model; Inflationary and Deflationary Gaps; Multipliers.
3. Investment and the Rate of Interest: The Demand for and the Supply of Money.
4. IS-LM Analysis.
5. Fiscal Policy.
6. Monetary Policy.
7. Inflation and Unemployment.

Reading Guide for Lectures on Microeconomics

As indicated earlier, the first part of the course will be concerned with microeconomics. There are many texts which cover this subject material, and for alternative explanations you may at some stage wish to consult some of the following references.

(a) Supplementary Reading

The following books cover much the same ground as the set text and at approximately the same level of difficulty.

J. Jackson and R. McIver, *Microeconomics*, McGraw Hill, Sydney, sixth edition 2001.

Sloman, J. and Norris, K., *Microeconomics*, Addison-Wesley, Sydney, 1999.

Sloman, J., *Economics*, Prentice-Hall, London, 3rd edn., 1997.

Jackson, J., McIver, R., McConnell, C. and Brue, S., *Microeconomics*, McGraw-Hill, Sydney, 5th edn., 1998.

Begg, D., Fischer, S. and Dornbusch, R., *Economics*, McGraw-Hill, London, 5th edn., 1997.

Culyer, A.J., *Economics*, Basil Blackwood Ltd, Oxford, 1985

McEachern, W.A., *Microeconomics – A Contemporary Introduction, Fifth Edition*, South-Western Publishing Company, Ohio 2000.

McTaggart, D., Findlay, D. and Parkin, M., *Microeconomics*, Addison-Wesley, Melbourne, 3rd edn., 1999.

Taylor, J.B., Moosa, I. And Cowling B., *Economics: Australian Edition*, Jacaranda Wiley, Brisbane, 1999.

(b) More Advanced References

Other useful references which cover the course material but at a more advanced level are listed below.

Eckert, R.D. and Leftwich, R.H., *The Price System and Resource Allocation*, The Dryden Press, New York, 10th edn. 1988.

Awh, R.Y., *Microeconomics: Theory and Applications*, John Wiley and Sons, New York, 1976.

Browning, E.K. and Zupan, M.A., *Microeconomic Theory and Applications*, Addison-Wesley, New York, 6th Edn. 1999.

Miller, R.L. and Fische, P.H., *Microeconomics: Price Theory in Practice*, Harper Collins, New York, 1995.

Maurice, S.C. and Phillips, O.R., *Economic Analysis: Theory and Application*, Irwin Homewood, Illinois, 3rd edn., 1978.

Hirschleifer, J., *Price Theory and Applications*, Prentice-Hall, New York, 3rd end., 1984.

Pindyck, R.S. and Rubinfeld, D.L., *Microeconomics*, Prentice-Hall, London, 4th edn., 1998.

Pashigian, B.P., *Price Theory and Applications*, McGraw-Hill, New York, 2nd edn., 1998.

Schotter, A., *Microeconomics: A Modern Approach*, Harper-Collins, New York, 1994.

Nicholson, W., *Intermediate Microeconomics and its Application*, The Dryden Press, Fort worth, Texas, 7th edn., 1997.

Mansfield, E., *Microeconomics: Theory/Applications*, Norton and Company, New York, 8th edn., 1994.

Specific references for the various topics are as follows:

The Economic Problem, An Overview of the Price Mechanism, Reasons for Government Intervention

Layton, Robinson, Tucker - Chapters 1 and 2.

Begg - Chapters 1, 2 and 4.

Sloman – Chapter 1.

McEachern - Chapters 1-4.

Collins *et al.* - pp. 2-17.

Dolan - Chapters 1 and 2.

McConnell and Jackson - Chapters 2-6.

Heyne - Chapters 2-4.

The Demand and Supply Functions, Applications of Supply and Demand Analysis, Price Elasticity, Income Elasticity and Cross Elasticity of Demand

Layton, Robinson, Tucker - Chapters 3, 4 and 5.

Begg - Chapters 3 and 5.

Sloman – Chapters 2 and 3.

McEachern - Chapters 3 and 18.

Culyer - Chapters 2-4, 8.

Dolan - Chapters 3 and 19.

Hirshleifer - Chapters 2, 5 and 6.

Allen - Chapters 2-4.

Theory of Production: The Production Function and the Individual Firm; Theory of Costs of Production: The Short-Run Situation; Theory of Costs of Production: The Long-Run Situation

Layton, Robinson, Tucker - Chapter 6.

Begg - Chapter 8.

Sloman – Chapter 5.

McEachern - Chapter 20.

Dolan - Chapter 21.

Awh - Chapters 7-10.

Bilas, Chapters 6 and 7.

Market Structures and the Firm's Revenue Conditions

Leftwich - Chapter 7.

Awh - Chapter 11.

Short-Run Equilibrium of the Firm and Industry in Perfect Competition; Long-Run Equilibrium of the Firm and Industry in Perfect Competition

Layton, Robinson, Tucker - Chapter 7.

Begg - Chapters 7 and 9.

Sloman – Chapter 6.

McEachern - Chapter 21.

Culyer - Chapters 12 and 13.

Dolan - Chapter 22 and Chapter 24.

Jackson and McConnell - Chapter 26.

Awh - Chapters 12 and 13.

Pure Monopoly; Applications of the Monopoly Model

Layton, Robinson, Tucker - Chapter 8.

Begg - Chapters 7 and 9.

Sloman – Chapter 6.

McEachern - Chapter 22.

Culyer - Chapter 14.

Dolan - Chapter 23.

Jackson and McConnell - Chapter 27.

Awh - Chapter 14.

Reading Guide for Lectures on Macroeconomics

1. **Basic Macroeconomic Concepts: An Overview of Keynesian Theory**

Layton, Robinson, Tucker - Chapters 11, 12, pp 324-333 and Chapter 14, pp. 390-401.

D.J. Collins, D.A. Archbold, A.A. McHarg, R.D. Reilly and J.M. Veale, *Modern Australian Economics Theory and Policy*, Longman Cheshire 1984, chapter 4.

D. Begg, S. Fisher and R. Dornbusch, *Economics - Sixth Edition* McGraw Hill 2000, chapter 20.

J. Sloman. *Economics – Third Edition*, Prentice-Hall, London 1997, chapter 16.

W.A. McEachern, *Economics - A Contemporary Introduction*, South-Western 4th edition, 1997, chapters 8 and 9.

E.G. Dolan, *Basic Economics*, The Dryden Press 1977, chapter 6.

J.D. Gwartney, *Macroeconomics: Private and Public Choice*, Academic Press 1977, chapters 6-8.

J. Jackson and C.R. McConnell, *Economics : Australian Edition*, McGraw Hill, Sydney 1980, chapters, 9-11, especially chapter 11.

2. **The Income Expenditure Model; Inflationary and Deflationary Gaps; Multipliers**

Collins *et al.*, chapter 4.

Begg, chapters 21 and 22.

McEachern, chapters 10 and 11.

Dolan, chapters 8, 9 and 10.

Gwartney, chapters 8 and 9.

Jackson and McConnell, chapter 12.

3. **Investment and the Rate of Interest: The Demand for and Supply of Money**

Layton, Robinson, Tucker - Chapter 15 (except pp. 452-453).

Begg, chapters 23, 24 and 25.

McEachern, chapters 13 and 15.

R.M. O'Donnell *Macroeconomic Notes : A First Year Economic Text*, 1993, chapter 7.

R.S. Jones and J.O.N. Perkins, *Contemporary Macroeconomics*, Prentice-Hall of Australia Pty Ltd., 2nd edition 1986, chapter 12.

K. Kurihara, *Introduction to Keynesian Dynamics*, George Allen and Unwin Ltd. 1956, chapters 3 and 4.

Dolan, chapter 12.

4. **IS/LM Analysis**

Begg, chapter 25.
Sloman, chapter 20.
O'Donnell, chapters 8-10.
Gwartney, chapter 21, Appendix C.

5. **Fiscal Policy**

Layton, Robinson, Tucker - Chapter 17.
Begg, chapter 25.
Sloman, chapter 17.
McEachern, chapter 17.
O'Donnell, chapters 11 and 12.
Collins *et al.*, chapter 8.
Gwartney, chapter 10.
Jackson and McConnell, chapter 13.

6. **Monetary Policy**

Layton, Robinson, Tucker - Chapter 16 (except pp.473-487 and pp. 491-493).
Begg, chapter 25.
Sloman, chapter 19.
McEachern, chapter 16.
O'Donnell, chapter 12.
Collins et al., chapters 5 and 8.
Gwartney, chapters 11 and 12.
Dolan, chapters 11 - 13.
Jackson and McConnell, chapters 14 - 16.

7. **Inflation and Unemployment**

Layton, Robinson, Tucker - Chapter 13.
Begg - chapters 27 and 28.
Sloman – chapter 13 and 21.
McEachern - chapters 7 and 16.
Collins et al. - chapter 7.
Dolan - chapters 14-16.
Gwartney - chapter 15.
Jackson and McConnell - chapter 18.