



FACULTY OF  
BUSINESS AND ECONOMICS

# BBA103 BUSINESS ECONOMICS

Semester 1, 2009

Unit Outline

*Department of Economics*

**MACQUARIE UNIVERSITY  
FACULTY OF BUSINESS AND ECONOMICS  
BBA103 BUSINESS ECONOMICS 2009**

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**FOR REFERENCE**

- **Unit Convenor:** Rebecca Reeve, Ph: 9850-8495, Room: E4A-420  
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- **Tutor in Charge:** Andrea Chareunsky, Ph: 9850-9283, Room: E4A-452  
Email: [achareun@efs.mq.edu.au](mailto:achareun@efs.mq.edu.au)
- The unit '**Blackboard**' web site can be entered via <https://learn.mq.edu.au>  
You will find most, if not all, of the information about the course at this site.

## 1. INTRODUCTION AND OVERVIEW OF THE COURSE

Welcome to BBA103 ***Business Economics***.

BBA103 ***Business Economics*** provides an introduction to economics that highlights the relevance of economics to business. BBA103 ***Business Economics*** introduces students to both microeconomics and macroeconomics.

The microeconomic component examines questions of price determination and resource allocation and considers how firms take relative prices into account in their decision making.

The macroeconomic component is concerned with the study of the economy as a whole, that is, as a single aggregate entity. It considers the key determinants of the level of economic activity. It is particularly concerned with the impact of interest rates, exchange rates, and government macroeconomic policies and overall economic activity on business owners and managers.

The topics included in **BBA103** are:

### **Introduction**

The Economic Way of Thinking  
Economics and Business

### **Microeconomics**

Markets and Prices  
Theory of Trade  
Production and Cost Decisions  
Profit Maximising Decisions in Perfect and Imperfect Markets  
Oligopoly and Strategic Behaviour

### **Macroeconomics**

The Macroeconomic Environment  
A Simple Model of the Macro Economy  
The International Setting  
Macroeconomic Policies of Government

On completion of this unit, students are expected to have developed an awareness of the fundamental economic problems of scarcity and choice. Students should understand the decision making behaviour of firms under different market structures and the impact on the wider community. Students should recognise the relevance to firms of the macroeconomic environment, including the impact of unemployment, inflation, interest rates and exchange rates. Students are also expected to be able to evaluate the impacts of government intervention in both microeconomic and macroeconomic contexts.

In addition to discipline-based learning objectives, all academic programs at Macquarie seek to develop students' generic skills in a range of areas. One of the aims of this unit is that students develop their *critical analysis, problem-solving and creative thinking skills*.

## 2. LECTURES

There are two lectures per week throughout the first semester. The **day** lectures are on Monday 12-2PM in E7B Mason Theatre. The **evening** lectures are on Mondays 6-8 PM in W6B-336. Rebecca Reeve will present the microeconomics lectures (weeks 1 to 9) and Andrea Chareunsi will present the macroeconomics lectures (weeks 10 to 13).

You are strongly encouraged to attend the lectures so that the analytical content of the subject can be outlined and a basis provided for your reading and tutorial preparation. It is important for you to recognise however, that lectures should be considered as a supplement to, rather than a substitute for, your study of the recommended reading material. Ultimately your success in this course will depend on your willingness to use the course materials and library facilities to read about economics, and your willingness to be diligent in your learning endeavours.

## 3. TUTORIALS

For each tutorial group there will be **eleven** meetings during the semester. **Tutorials will be held in weeks 2, 3, 4, 5, 6 and 8, 9, 10, 11, 12, 13.** Tutorials are designed to review and extend some of the material covered in lectures and texts. As far as possible, each tutorial will lag one week or so behind the coverage of the same topic in lectures. Tutorial topics are indicated on the Course Calendar on page 9 of this Unit Outline.

The questions to be covered in tutorials will be made available via **Blackboard** on the Wednesday of the week prior to the relevant tutorial week. For the first tutorial only, a hard copy of the questions will be handed out during the lecture in week 1. The solutions to the tutorial exercises will be made available via Blackboard on the Friday **after** the relevant tutorial class. Students are encouraged to attempt the exercises before attending tutorials.

Whilst tutorial attendance is not compulsory, a record of attendance will be kept and may assist in resolving borderline cases in the final assessment for this unit.

Students were assigned to a tutorial group via the on-line system of the time of enrolment in BBA103. If you need to change your tutorial time you may do so (if space is available) at the on-line change of program sessions in **Week 2 up until 3 pm Thursday in Week 2.**

## 4. SUPPLEMENTARY EXERCISES

In addition to the tutorial exercises, on occasion supplementary exercises will also be made available via Blackboard. These exercises are not compulsory and will not be discussed in class, although students may discuss them with staff during consultation times. The supplementary exercises are to provide additional practice to students and the solutions will be made available each Friday. Students are encouraged to attempt the questions before viewing the solutions.

## 5. ASSESSMENT

Assessment will be as follows:

|  | %                |
|--|------------------|
| (a) <b>Compulsory Multiple Choice Test (Monday 6/4/2008)</b> | 20               |
| (b) <b>Compulsory Assignment (due Monday 11/5/2008)</b>      | 20               |
| (c) <b>Final Examination</b>                                 | <u>60</u><br>100 |

All of the above segments for assessment are an integral part of the course requirements. To pass BBA103, students must attain a satisfactory overall aggregate mark and also pass the final examination. To be more specific, a precondition for passing the course is a pass in the final examination; a student will not pass the course if his or her final examination result is poor even if his or her other work is satisfactory.

### (a) Compulsory Multiple Choice Test

A multiple-choice test will be held **during the first hour of the normal lecture times on Monday 6, April 2009**. This test will be of forty minutes duration and will consist of twenty multiple choice questions; these questions will be drawn from the material covered in lectures up to and including "Profit Maximisation and Perfect Competition" i.e. **material covered in weeks 1-6 of the semester**. The test will account for 20% of the total marks used to assess your grade for the course.

### (b) Compulsory Assignment

An assignment worth 20% of the total marks allocated for assessment is required to be submitted on or before **7.30 pm Monday, 11 May 2009**. This assignment will be distributed in tutorial classes and via Blackboard in week 7, prior to the mid-semester break. Each completed assignment must be deposited in the BBA103 assignment box in **E4B-106**. You must keep a photocopy of the work you submit for marking.

### (c) Final Examination

The final examination will be held during the University's Mid-Year Examination period. The examination (3 hours) is worth 60% of the marks used for assessment. The exam will consist of two components:

- (i) Multiple choice questions (approximately 25% of the exam)
- (ii) Discussion questions (approximately 75%).

**A handout containing further information regarding the structure of the final examination will be distributed in week 9, in the lectures and via Blackboard.**

To re-emphasise, a student in order to pass the course is required to perform satisfactorily overall and achieve a **pass** in the **final exam**.

## 6. PLAGIARISM AND HOW TO AVOID IT

The assignment must represent the student's own work. In particular, this means that the written answers submitted by the student should be composed by that student. The copying of another student's answer, or part thereof, is clearly regarded as plagiarism. Cases of plagiarism will be dealt with severely. We draw your attention to the fact that the Discipline Committee of the University has the power to exclude a student from the University for malpractice and that each year this provision is invoked.

The following statement relating to collusion and plagiarism has been prepared by the University.

“The integrity of learning and scholarship depends on a code of conduct governing good practice and acceptable academic behaviour. One of the most important elements of good practice involves acknowledging carefully the people whose ideas we have used, borrowed, or developed. All students and scholars are bound by these rules because all scholarly work depends in one way or another on the work of others”.

Therefore, there is nothing wrong in using the work of others as a basis for your own work, nor is it evidence of inadequacy on your part, *provided you do not attempt to pass off someone else's work as your own.*

To maintain good academic practice, so that you may be given credit for your own efforts, and so that your own contribution can be properly appreciated and evaluated, you should acknowledge your sources and you should **ALWAYS**:

- (i) State clearly, in an appropriate form, where you found the material on which you have based your work.
- (ii) Acknowledge the people whose concepts, experiments, or results you have extracted, developed, or summarised, even if you put these ideas into your own words.
- (iii) Avoid excessive copying of passages by another author, even where the source is acknowledged. Find another form of words to show that you have thought about the material and understood it, but remember to state clearly where you found the ideas.

If you take and use the work of another person without clearly stating or acknowledging your source, you are falsely claiming that material as your own work and committing an act of *PLAGIARISM*. This is a very serious violation of good practice and an offence for which you will be penalised.

*YOU WILL BE GUILTY OF PLAGIARISM* if you do any of the following in an assignment, or in any piece of work which is to be assessed, *without clearly acknowledging your source(s) for each quotation or piece of borrowed material.*

- (a) Copy out part(s) of any document or audio-visual material, including computer-based material;
- (b) Use or extract someone else's concepts or experimental results or conclusions, even if you put them in your own words;
- (c) Copy out or take ideas from the work of another student, even if you put the borrowed material in your own words;
- (d) Submit substantially the same final version of any material as a fellow student. On occasions, you may be encouraged to prepare your work with someone else, but the final form of the assignment you hand in must be your own independent endeavour.

The simplest way to avoid plagiarism is to be open about your sources. There is no academic demerit in this. Many of the ideas used in essays, articles and books inevitably build on the work of others, and it is only honest and courteous to acknowledge those to whom you are indebted. Further statements on plagiarism can be found on pages 17 and 46-47 of the 2009 Handbook of Undergraduate Studies.

## 7. ENQUIRIES AND PROBLEMS

**Administrative:** If you have administrative enquiries, contact the tutor in charge

### **(a) Academic:**

If you are having difficulty understanding the course or what is required of you, talk to your tutor or see the Tutor in Charge or Unit Convenor during consultation hours. In the first week of semester, staff consultation hours will be posted on the BBA103 Blackboard web site. Once the semester gets underway staff will also have their student consultation hours displayed on their doors.

### **(b) Personal:**

If, for whatever reason, you find yourself in serious difficulties in relation to your university studies, you are strongly encouraged to inform your tutor 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 tutor is aware that a problem exists. 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 career. Often these will occur in your first year. 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 University Counselling and Health Services, all of whom have experience with a very wide range of situations.

### (c) Special Consideration

If you are unfortunate enough to suffer accident, illness, or any other major disturbance which affects your work, you may apply to have account taken of this in the assessment of your performance. To do this, you should **submit an application for special consideration to the student enquiry service**. Full details on the special consideration policy and procedure can be found at <http://www.mq.edu.au/policy/s.htm>

Note that a request for special consideration will not be entertained in respect of a particular assessment task or examination if that request is made more than 5 days after the due date or examination (see 2009 Handbook of Undergraduate Studies, pages 42-43). Students should be fully aware of what constitutes and what does not constitute unavoidable disruption to studies (see pages 18 and 40 of the 2009 Handbook of Undergraduate Studies).

### STUDENTS' RESPONSIBILITIES

University Staff provide a wide range of services to assist you with the course. These include:

- lectures
- tutorials
- individual consultation upon request
- assistance with study skills (library, audiovisual section)
- assistance with writing skills (English for Academic Purposes)
- assistance with mathematical skills (Numeracy Centre)
- assistance with personal problems (Counselling Service)

However, it is **your** responsibility, not that of the staff, to ensure that a satisfactory understanding of the course material is achieved. How this understanding is achieved is also your responsibility. There are no fixed formulae. Lectures and tutorials are available to you if you find them helpful (as most do). Although attendance is desirable and strongly encouraged, we do not enforce it.

Satisfactory standards will not be achieved by mere attendance at classes. It is essential that you regularly ask yourself whether you are really understanding coursework or coping with your studies, and to initiate some action if you are not. It is possible to do yourself a disservice by being aware of a problem, whether academic or personal, and doing nothing about it.

BBA103 has a credit-point value of 3. You should spend on average **9** hours per week (lectures, tutorials, study, etc.) on this unit.

**IF YOU ARE NOT SPENDING AT LEAST 9 HOURS PER WEEK ON BBA 103 THEN YOU ARE DELUDING YOURSELF ABOUT THE AMOUNT OF WORK NECESSARY TO COMPLETE THIS UNIT SATISFACTORILY.**

## 8. TEXTBOOKS

The set text for the course is:

**Layton, A, Robinson, T and Tucker, I (2009) *Economics for Today*, Thompson, Australia, 3rd Edition**

In addition to the text, students should acquire three booklets of **BBA103 Course Readings**. These will be available from the bookshop. Booklet 1 provides an introduction to the Economic Way of Thinking, booklet 2 provides additional material on Microeconomics and booklet 3 provides additional material on Macroeconomics.

The following books cover much the same ground on microeconomics as the set text by Layton, Robinson and Tucker and at approximately the same level of difficulty.

Jackson, J and McIver, R (2001) *Microeconomics*, McGraw-Hill, Sydney

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

Sloman, J (1997) *Economics* Prentice-Hall, London, 3<sup>rd</sup> Edition

Swann, M and McEachern, WA (2001) *Microeconomics – A Contemporary Introduction - Australian Edition*, Nelson, Thomson Learning, Melbourne

McTaggart, D, Findlay, D and Parkin, M (1999), *Microeconomics*, Addison-Wesley, Melbourne, 3<sup>rd</sup> Edition

Taylor, JB, Moosa, I and Cowling, B (1999) *Economics: Australian Edition*, Jacaranda, Wiley, Brisbane

**9. COURSE CALENDAR BBA 103  
2009**

| <b>Week</b>   | <b>Lecture Date</b> | <b>Lecture Topic</b>  | <b>Tutorials</b>                          | <b>Assessment</b>  |
|---|---------------------|---|---|--|
| 1   | February 23         | The Economic Way of Thinking; Production Possibilities            | NO TUTORIALS THIS WEEK                    |  |
| 2   | March 2             | Demand and Supply Analysis  | 1. The Economic Way of Thinking           |  |
| 3   | March 9             | Elasticity of Demand and Supply                                   | 2. Demand and Supply Analysis             |  |
| 4   | March 16            | Theory of Trade   | 3. Elasticity of Demand                   |  |
| 5   | March 23            | Production and Cost Decisions                                     | 4. Theory of Trade                        |  |
| 6   | March 30            | Profit Maximisation: Perfect Competition                          | 5. Production and Cost Decisions          |  |
| 7   | April 6             | <b>Mid-semester test</b> during first hour of normal lecture time | NO TUTORIALS THIS WEEK                    | <b>MULTIPLE CHOICE TEST</b> Monday April 6                                   |
| <b>MID-SEMESTER BREAK: FRIDAY, 10 APRIL TO SUNDAY, 26 APRIL.<br/>Note that classes resume on Monday 27<sup>th</sup> April which is NOT a public holiday</b> |                     |   |   |  |
| 8   | April 27            | Profit Maximisation: Monopoly                                     | 6. Perfect Competition                    |  |
| 9   | May 4               | Profit Maximisation: Monopolistic Competition and Oligopoly       | 7. Monopoly                               | Exam information to be distributed in lectures and on Blackboard             |
| 10  | May 11              | The Macroeconomic Environment                                     | 8. Monopolistic Competition and Oligopoly | <b>ASSIGNMENT DUE</b> Monday May 11<br>Submit via BBA103 box at BESS: E4B106 |
| 11  | May 18              | A Simple Model of the Macro Economy                               | 9. The Macroeconomic Environment          |  |
| 12  | May 25              | The International Setting   | 10. A Simple Model of the Macro Economy   |  |
| 13  | June 1              | Macroeconomic Policies of Government                              | 11. The International Setting             |  |

## 10. READING GUIDE FOR MICROECONOMICS

### Week 1

#### **Administration and Introductory Comments**

#### **Lecture 1: Introduction to the Economic Way of Thinking**

Layton, Robinson and Tucker, *Economics for Today*, pp. 1-19 and 23-32.

Franke & Bernanke "Thinking Like an Economist" in *BBA103 Course Readings 1*.

McEachern "The Art and Science of Economic Analysis" in *BBA103 Course Readings 1*.

Mankiw, "Ten Principles of Economics" in *BBA103 Course Readings 1*.

#### **Lecture 2: Production Possibilities and Opportunity Costs**

Layton, Robinson and Tucker, *Economics for Today*, pp. 35-52.

Amacher and Ulbrich "Economics, Economic Issues and Economic Methods" in *BBA103 Course Readings 1*.

### Week 2

#### **Lecture 3: Demand and Supply Analysis**

Layton, Robinson and Tucker, *Economics for Today*, pp. 60-85.

#### **Lecture 4: Markets in Action**

Layton, Robinson and Tucker, *Economics for Today*, pp. 90-113.

### Week 3

#### **Lectures 5 and 6: Elasticity of Demand and Supply**

Layton, Robinson and Tucker, *Economics for Today*, pp. 117-141.

Eckert and Leftwich "Price Elasticity of Demand" in *BBA103 Course Readings 2*.

### Week 4

#### **Lectures 7 and 8: Theory of Trade**

Layton, Robinson and Tucker, *Economics for Today*, pp. 52-53 and pp. 521-539.

Ingram “Why Nations Trade” in *BBA103 Course Readings 2*.

McCloskey “Specialisation and Comparative Advantage” in *BBA103 Course Readings 2*.

Landsburg “The Iowa Car Crop” in *BBA103 Course Readings 2*.

### **Week 5**

#### **Lectures 9 and 10: Production and Cost**

Layton, Robinson and Tucker, *Economics for Today*, pp. 145-168.

Maurice and Phillips “Theory of Production (Isoquant and Isocost Analysis)” in *BBA103 Course Readings 2*.

### **Week 6**

#### **Lectures 11 and 12: Profit maximisation and Perfect Competition**

Layton, Robinson and Tucker, *Economics for Today*, pp. 173-203.

Pindyck and Rubinfeld “Consumer and Producer Surplus” in *BBA103 Course Readings 2*.

### **Week 7**

#### **Mid Semester Test during first hour of normal lecture time, in usual lecture location**

(no lecture this week)

### **Week 8**

#### **Lectures 13 and 14: Monopoly**

Layton, Robinson and Tucker, *Economics for Today*, pp. 207-228.

### **Week 9**

#### **Lectures 15 and 16: Monopolistic Competition and Oligopoly**

Layton, Robinson and Tucker, *Economics for Today*, pp. 233-256

## 11. READING GUIDE FOR MACROECONOMICS

### Week 10

#### **Lectures 17 and 18: The Macroeconomic Environment**

Layton, Robinson and Tucker, *Economics for Today*, pp. 289 – 314, 320 – 340, 345 – 371.

Various authors “The Macroeconomic Environment” in *BBA103 Course Readings 3*, pp. 1 – 86.

### Week 11

#### **Lectures 19 and 20: A Simple Model of the Macro Economy**

Layton, Robinson and Tucker, *Economics for Today*, pp. 376 – 387.

Various authors “A Simple Model of the Macro Economy” in *BBA103 Course Readings 3*, pp. 87 – 111.

### Week 12

#### **Lectures 21 and 22: The International Setting**

Layton, Robinson and Tucker, *Economics for Today*, pp. 540 – 556.

Fraser, Gionea and Fraser “The International Setting” in *BBA103 Course Readings 3*, pp. 112 - 140.

### Week 13

#### **Lectures 23 and 24: Macroeconomic Policies of Government**

Layton, Robinson and Tucker, *Economics for Today*, pp. 421 – 438, 441 – 450, 457 – 477, and 485 – 498.

Crompton, Swann, Hopkins and McEachern “Macroeconomic Policies of Government: Fiscal Policy” in *BBA103 Course Readings 3*.

Various authors “Macroeconomic Policies of Government: Monetary Policy” in *BBA103 Course Readings 3*.