

# Formation 1



Paper 3 –Economics

Examination Duration: 3 Hours

**OBJECTIVE:** -The objective of this paper is to assess candidates in the knowledge of the economics of business and society and in the appreciation of the economic framework in which business decisions are made.

| SYLLABUS  | Knowledge Requirements |
|---|------------------------|
| <b>1. BUSINESS ECONOMICS</b><br>This presupposes a knowledge of:  |                        |
| (a) Supply and Demand -Concepts of elasticity, the theory of consumer behavior.   | A                      |
| (b) Production Theory -Equilibrium of profit maximizing firms under perfect competition, imperfect competition and monopoly. The theory of oligopoly. Alternative objectives of the firm.                             | B                      |
| (c) Distribution Theory -The theory of marginal revenue, productivity, the pricing of factors of production.  | B                      |
| (d) The Development of the Firm Over Time (technology).   | B                      |
| (e) Pricing Decision in Individual Firms -Price discrimination.   | B                      |
| <b>2. KNOWLEDGE OF A NATION'S ECONOMY</b><br>This presupposes knowledge of:   |                        |
| (a) The Determining of National Income -Methods of computing national income. The interaction of consumption, savings and investment behavior. The multiplier and accelerator concepts.                               | A                      |
| (b) Fluctuations in National Income -Business cycle, inflation and deflation.   | B                      |
| (c) The Functions of Money -The role of commercial and central banks, capital markets.  | B                      |
| (d) Current Economic Issues -Economic growth, income policy, taxation, balanced regional development, distribution of income. Price control and restrictive practices, public ownership and control. Social policies. | B                      |
| <b>3. INTERNATIONAL ECONOMICS</b><br>Theory of International Trade -Balance of payments, exchange rate policy, international economic institutions, E.U., I.M.F.  | C                      |