

# Economics and Business Environment

Level CPA FI Subject Code PF103 Exam Marks 100

Assessment Level: Intermediate/Conceptual/Practical/Professional

## Assessment Strategy

Section A: MCQ's 05(5Marks)	Competency Questions 5 (15Marks)	Case Studies/Scenario base Question 1 (5Marks)
Section B: MCQ's 05(5Marks)	Competency Questions 10 (30Marks)	Case Studies/Scenario base Question 1(20Marks)
Section C: MCQ's 05(5Marks)	Competency Questions 5 (10Marks)	Case Studies/Scenario base Question 1(5Marks)

## Syllabus

Section	Lead Topics	Indicative Syllabus
Section A: 25%	Concepts	Supply and demand- Determination of price-Equilibrium-Market systems and the allocation of scarce resources- Concepts of cost –opportunity, fixed, variable, marginal, average-Time aspect –short run, long run- Aspect of size – economies and diseconomies of scale- Economies of scope-Implications of various elasticity concepts
	The Firm in the Marketplace	The concept of profit maximization-The conditions for long-run profit maximization-The conditions for short-run profit maximization- An understanding of the various forms of market structures – Perfect Competition, Monopolistic (Imperfect) Competition and Monopoly-Long-run price/output determination for each of the above forms of market structure-Economic efficiency in respect of each of these forms of market structure
	Competitive Market	Strategic Rivalry-Oligopoly and interdependence-Natural and strategic entry barriers

Section	Lead Topics	Indicative Syllabus
Section B: 55%	Growth Strategies of firms	Horizontal growth-Vertical growth-Diversified growth-Growth by merger-Alternative theories of the firm-Principal – agent theory
	Factor Markets and Income Determination	Marginal productivity theory-Wage determination-Rent, interest and profit-Economic rents
	The Macro environment Market	The circular flow of income-Potential and actual levels of aggregate demand-National Income determination in a small open economy with government-Interrelationship between National Income statistics - GNP/GDP/National Income
	Money and Banking	Development of the money economy-Functions of money-Credit creation by the banking sector-Money multiplier-Monetary policy/Exchange rate policy-Interest Rates and the macro economy

Section	Lead Topics	Indicative Syllabus
Section B: 20%	Government and the Macro Economy	Objectives of national economic policy-Interaction of objectives-Policy instruments-Economic cycles-Budget strategies-Fiscal stabilisers-Economic implications of direct and indirect forms of taxation
	Global Economics	Law of comparative advantage-Terms of trade-Restrictions to free international trade-Fixed versus floating exchange rates-Balance of payments-The global market environment- Economic benefits to a firm from a global strategy

