PREFACE

The Board of Studies, ICAI presents the study material for Foundation. The contents have been designed and developed with an objective to synchronize the syllabus with International Accountancy bodies, to instill and enhance the necessary pre-requisites for becoming a well-rounded, competent and globally competitive Accounting Professional.

The level of complexity of the study material is as per standards accorded by IAESB comprising an ideal mix of subjective and objective examination pattern to ensure discerning students get through and seek admission to the CA Course. Learning outcomes for each chapter/unit have been detailed which the students have to demonstrate for achieving the desired level of technical competence.

Economics deals with problems and questions that affect almost all kinds of individuals in their capacities as consumers and producers. Therefore, economic literacy is essential for everyone. Business Economics, which has been introduced at the Foundation level of the Revised CA course, has been developed keeping in mind the fact that CAs now a days have to take up the role of not merely an accountant or auditor, but a business solution provider. Business Economics which integrates economic theory with business practice will help them in the process of business decision making.

There are five chapters in Business Economics namely, Introduction to Business Economics, Theory of Demand and Supply, Theory of Production and Cost, Price Determination in Different Markets and Business Cycles. An attempt has been made to make this study material as self contained as possible. The economic concepts have been explained in a clear, thorough way, using various applications to illustrate the use of theory and to reinforce students’ understanding of it. Care has been taken to explain the principles and concepts in a lucid and easy language with the help of diagrams, pictures, tables and illustrations so as to enable students, with even minimal backgrounds in Economics, to understand the concepts properly. To facilitate learning, every chapter concludes with a summary. Also, each chapter contains lots of multiple choice questions to aid students test their understanding of the subject and their skills in applying economic theory to real world situation. At the end of the study material, glossary explaining important words has also been given.

Suggestions for further improvements are heartily welcomed.
Objective:
To develop an understanding of the concepts and theories in Business Economics and apply such concepts and theories in simple problem solving.

Contents:
1. Introduction to Business Economics
   (i) Nature and scope of Business Economics
   (ii) Basic Problems of an Economy and Role of Price Mechanism.

2. Theory of Demand and Supply
   (i) Meaning and determinants of demand, Law of demand and Elasticity of demand – Price, income and cross elasticity
   (ii) Theory of consumer's behaviour – Marshallian approach and Indifference curve approach
   (iii) Demand Forecasting
   (iv) Meaning and determinants of supply, Law of supply and Elasticity of supply.

3. Theory of Production and Cost
   (i) Meaning and Factors of production
   (ii) Laws of Production – The Law of Variable proportions and Laws of Returns to Scale, Producer's equilibrium
   (iii) Concepts of Costs – Short-run and long-run costs, Average and marginal costs, Total, fixed and variable costs.

4. Price Determination in Different Markets
   (i) Various forms of markets – Perfect Competition, Monopoly, Monopolistic Competition and Oligopoly.
   (ii) Price determination in these markets.

5. Business Cycles
   (i) Meaning
   (ii) Phases
   (iii) Features
   (iv) Causes behind these Cycles
PART – II : BUSINESS AND COMMERCIAL KNOWLEDGE (40 MARKS)

Objective:
To develop an understanding of common business and commercial concepts and to keep abreast with developments in the business and commercial world.

Contents
1. Business and Commercial Knowledge – An Introduction

2. Business Environment

3. Business Organizations
   Overview of Selected Indian and Global Companies.

   Policies creating conducive business environment such as Liberalization, Privatization, Foreign Direct Investment.

5. Organizations Facilitating Business
   (i) Indian Regulatory Bodies - RBI, SEBI, CCI, IRDAI
   (ii) Indian Development Banks – IFCI, SIDBI, EXIM Bank, NABARD

6. Common Business Terminology
   (i) Finance, Stock & Commodity Markets Terminology.
   (ii) Marketing Terminology.
   (iii) Banking Terminology.
   (iv) Other Business Terminology.

Note: Students are expected to read at least one financial newspaper and one business magazine on a regular basis. They may also watch a business channel to remain updated about the developments related to commercial world.
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