**ABM 1101 PRINCIPLES OF BUSINESS ECONOMICS**

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**COURSE TYPE & LOCATION**: Core for B.ABM. I; Faculty of Agriculture, Department of Agricultural Economics & Agribusiness.

**COURSE STRUCTURE**

3 Credit Units: 45 Contact Hours per semester; 30 lecture hours (2 contact hours per week for 15 study weeks) and 30 tutorial hours (1 contact hour per week for 15 study weeks)

**COURSE DESCRIPTION**

Basic economic concepts; Price determination: demand and supply analysis; Elasticity; Levels of economic analysis: firms, market, national economy, international economy; Resource allocation in different economic systems; Types of business organizations; Business output, costs, revenue & profit; Market structure & conduct of business, small firms & multinationals; Pricing factors of production; Consumer behaviour; Utility maximization.

**COURSE OBJECTIVES**

**General objective**

* To introduce students to the basic principles of economics. This course is intended to give students an understanding of the economic way of thinking as an engine for analysing real world economic problems.

**Specific objectives**

* To provide the students with a general overview of basic principles in economic theory as a foundation for understanding follow-on courses in the subject.
* To equip students with knowledge on basic economic tools and principles used in understanding and analysing real world economic problems.

**RECOMMENDED REFERENCES FOR READING**

1. R. Leroy-Miller (1997). Economics Today, 9th Edition. Addison Wesley Longman, Inc.
2. Tayebwa B. (1992). Basic Economics. 2nd Edition, Simplified Textbooks Agency, Kampala.

**COURSE CONTENT, METHODS OF INSTRUCTION, TOOLS AND EQUIPMENT REQUIRED**

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| **TOPIC** | **CONTENT** | **METHOD OF INSTRUCTION / Time allocated** | **TOOLS / EQUIPMENT NEEDED** |
| 1. **MICROECONOMIC FOUNDATIONS**  | * The Power of Economic Analysis
* Defining Economics
* Microeconomics vs. Macroeconomics
* Scarcity, Wants and Needs
* Scarcity, Choice and Opportunity Cost
* The Choices Society Faces
* Economic Growth and the Production Possibilities Curve

Tutorial 1: Measuring Economic growth using the PPF | Interactive lectures (2 hrs)Tutorial (2 hrs) | Chalk / BB or Markers / Flip charts |
| 2. **PRICE DETERMINATION** | * The Law of Demand, the Demand Schedule & Shifts in Demand
* The Law of Supply, the Supply Schedule & Shifts in Supply
* Putting Demand and Supply Together
* Changes in Demand and Supply

Tutorial 2: Demand and Supply curves | Interactive lectures (2 hrs)Tutorial (2 hrs) | Chalk / BB or Markers / Flip charts |
| **3. PRICE DETERMINATION** | * The Rationing Function of Prices
* The Policy of Controlling Rents
* Price Floors in Agriculture
* Price Floors in the labor market
* Quantity Restrictions

Tutorial 3: Effects of Price floors and price ceilings on demand and supply | Interactive Lectures (2 hrs)Tutorial (2 hrs) | Chalk / BB or Markers / Flip charts |
| 4. **ELASTICITY** | * Elasticity part 1; (Price Elasticity of Demand, Point & Arc)

Tutorial 4: Exercises on Price Elasticity of Demand, Point & Arc | Interactive lectures (2 hrs)Tutorial (2 hrs) | Chalk / BB or Markers / Flip charts |
| 5. **ELASTICITY** | * Elasticity part 2; (Determinants of Price Elasticity of Demand)
* Other Elasticity Concepts (Cross Elasticity of Demand, Income Elasticity of Demand)

Tutorial 5: Exercises on Cross Elasticity of Demand, Income Elasticity of DemandAssignment 1: On Elasticity | Interactive Lectures (2 hrs)Tutorial (2 hrs) | Chalk / BB or Markers / Flip charts |
| 6. **THE CIRCULAR FLOW OF INCOME & BUSINESS CYCLES** | * Basic & extended models
* Flows & stock, leakages & injections
* Business cycles &Measuring economic growth by GNP& GDP
* Goals of macroeconomics
* Economic indicators

Tutorial 6: Exercises on measuring national income | Interactive lectures (2 hrs)Tutorial (2 hrs) | Chalk / BB or Markers / Flip charts |
| 7. MEASURING NATIONAL INCOME & OUTPUT | * GNP: Nations citizen’s income, consumption & savings
* GDP: barometer of the economy, unemployment & inflation
* Compare & contrast FDI
* Approaches of measuring national output: Expenditure, Income & Value-added approaches.
* Problems in national income accounting

Tutorial 7: Exercises on measuring GDP, GNP | Interactive lectures (2 hrs)Tutorial (2 hrs) | Chalk / BB or Markers / Flip charts |
| 8. **UNEMPLOYMENT** | * Definition of unemployment
* Population accounts
* Labor force: unemployed & employed
* Unemployment statistics:

 Tutorial 8: Unemployment statistics in UgandaQuiz 1: covering topics 1-8 | Interactive lectures (2 hrs)Tutorial (2 hrs) | Chalk / BB or Markers / Flip charts |
| **9.UNEMPLOYMENT** | * Bias in unemployment
* Types of unemployment
* The Natural Rate of Unemployment
* Potential GNP

Tutorial 9: measuring unemployment rate | Interactive Lectures (2 hrs)Tutorial (2 hrs) | Chalk / BB or Markers / Flip charts |
| 10. **INFLATION** | * Definitions: inflation, disinflation, deflation
* Problems of inflation
* Measures of inflation

Assignment 2: Inflation in Uganda | Interactive lectures (2 hrs)Tutorial (2 hrs) | Chalk / BB or Markers / Flip charts |
| 11. **INFLATION** | * Costs & benefits of inflation
* Types of inflation
* Real versus nominal rate of inflation

Tutorial 10: measuring inflation rate | Interactive Lectures (2 hrs)Tutorial (2 hrs) | Chalk / BB or Markers / Flip charts |
| 12. **AGGREGATE DEMAND & AGGREGATE SUPPLY**  | * Definitions
* Price level & national output
* Downward sloping aggregate demand curve
* Upward sloping aggregate supply curve
* Shifts in aggregate demand & aggregate supply curves
* Macroeconomic equilibrium

Tutorial 11: Exercises on the Macroeconomic equilibrium | Interactive lectures (2 hrs)Tutorial (2 hrs) | Chalk / BB or Markers / Flip charts |
| 13. **FISCAL POLICY** | * Gaps: GNP, Recessionary, inflationary
* Fiscal policy: government spending, taxation, discretionary, simple budget G&T, Balanced, surplus, deficit
* Tax multiplier
* Balanced budget multiplier

Tutorial 12: Exercises on computing different multipliers | Interactive lectures (2 hrs)Tutorial (2 hrs) | Chalk / BB or Markers / Flip charts |
| 14. **MONEY & MONETARY POLICY** | * Money: definition, functions, types, Characteristics
* Barter system
* Liquidity: Gresham’s law
* Fractional reserve banking

Tutorial 13: The central bank and monetary policies in Uganda | Interactive Lectures (2 hrs)Tutorial (2 hrs) | Chalk / BB or Markers / Flip charts |
| 15. **MONEY & MONETARY POLICY** | * Money supply: M1, M2, M3, L
* Money creation
* Monetary base
* Financial intermediation

Tutorial 14: Exercises on banks & money creation under fractional reserve bankingQuiz 2: covering topics 9-15 | Interactive Lectures (2 hrs)Tutorial (2 hrs) | Chalk / BB or Markers / Flip charts |
| **16 - 17** | * Revision time
* Final Examination
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**9. SUMMARY OF TIME NEEDED**

Lectures 30 hrs

Tutorials (and assignments) 15 hrs

**10. COURSE ASSESSMENT:**

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| Continuous assessment (Quizzes): | There will be 2 Quizzes arising from tutorials, assignments and topics covered, during week 8 and 15 of the semester | 20% |
| Continuous assessment (assignments): | Students will write 2 take-home assignments | 20% |
| University Examination: | Final examination during week 16-17 of the semester | 60% |