



Institute of Actuaries of India

Statutory body established under an Act of Parliament

Unit No. F-206, 2nd Floor, F Wing, Tower II, Seawoods Grand Central,
Plot no R-1, Sector 40, Nerul Road, Navi Mumbai - 400706
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Subject

C1 - Business Economics



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COURSE STRUCTURE

SECTION	TOPIC	WEIGHTAGE
I	Economic concepts and schools of economic thought	10-15%
II	Microeconomics	40-45%
III	Macroeconomics and Interpreting Macro Economic Indicators for Financial Decision Making	40-45%

TENTATIVE CHAPTER NAMES UNDER EACH SECTION WITH EXPECTED LEARNING OUTCOMES:

Section I: Economic concepts and schools of economic thought

- Describe the following concepts of economic thought:
 - Scarcity and human wants
 - Opportunity cost
 - Economic choices of businesses
- Compare microeconomics and macroeconomics
- Main schools of economic thought:
 - Classical
 - Marxian
 - Neo-classical, Keynesian, neo-Keynesian, Post-Keynesian
 - Monetarist
 - Austrian
 - Brief summary of ancient Indian thought - Arthashastra

Section II: Microeconomics

- With respect to competitive markets describe/discuss:
 - Behaviour of firms and consumers
 - Determinants of market demand and market supply
 - Price mechanism and achieving equilibrium price and output
 - Market reaction to changing demand and supply dynamics
- Define price and income elasticity of demand and factors that affect elasticity
- Define price elasticity of supply and factors that affect elasticity
- Describe how elasticity impacts market functioning in the short-run and long-run
- Explain price perceptions and development of price bubbles
- Explain impact of advertising on market demand and supply
- With respect to consumer behaviour describe/discuss:
 - Concept of utility and utility theory axioms

- b. Indifference curves and budget lines for optimal choice of consumption of a rational consumer
 - c. Role of rational/irrational behaviour and information symmetries/asymmetries in behavioural economics
11. With respect to producer behaviour describe/discuss:
- a. Production function, average product, marginal product and relationship between inputs and output in the short-run and long-run
 - b. Cost function, average cost, marginal cost, total cost and its relationship with output in the short-run and long-run
 - c. Economies of scale and production efficiency
 - d. Market factors that impact revenues and profit
 - e. Revenue function, average revenue, marginal revenue, total revenue and arriving at an output that maximises profit
 - f. "Shut down" point in short-run and long-run
12. Perfect competition - describe:
- a. Characteristics of a perfectly competitive market
 - b. How to determine optimum price/output in short-run and long-run
13. Monopoly - describe:
- a. Characteristics of monopoly and how they emerge
 - b. How to determine optimum price/output in short-run and long-run
 - c. Barriers of entry and market contest and their impact on monopolist's profits
14. Monopolistic competition - describe:
- a. Characteristics of a monopolistic market
 - b. Why monopolistic market can see only normal profits in long run
15. Oligopoly - describe:
- a. Features of oligopoly
 - b. How game theory influences business strategy in oligopolist markets
 - c. Whether oligopolist firms act in consumers' interest
16. Describe pricing strategies and:
- a. Factors that affect setting a price
 - b. Price discrimination vis-à-vis level average price
 - c. Product lifecycle
 - d. Multiple products - loss leaders, synergies and cannibalisation

Section III: Macroeconomics

17. Market sustainability and role of government
- a. Explain why markets fail
 - b. What is social efficiency and to what extent it is achievable in real world
 - c. Explain how government influences consumer behaviour and discuss its advantages and disadvantages



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- d. Discuss role of regulation and taxation in correcting market inefficiencies
18. Firm and role of government:
- a. Discuss 'competition policy' and its effectiveness
 - b. Discuss role of government in:
 - i. Achieving optimum research and development
 - ii. Encouraging innovation and technological development
19. Macroeconomic variables:
- a. Discuss why governments control main macroeconomic variables
 - b. Discuss Aggregate demand - Aggregate supply model for determining price level in economy
 - c. Define GDP and explain how it is measured
 - d. Discuss concept of circular flow of income
20. Economic growth:
- a. Compare actual growth and potential growth
 - b. Determinants of economic growth and how they explain differences in different countries' growth rates
 - c. Describe what factors lead to business cycles and what determines their length and intensity
 - d. Describe causes and costs of unemployment and inflation
21. International Trade:
- a. Discuss importance, benefits and disadvantages of international trade
 - b. Explain theory of comparative advantage and specialisation
 - c. Discuss role of WTO in international trade
 - d. Discuss why protectionist measures are needed to safeguard domestic economy
 - e. Explain the terms 'balance of payments' and 'trade deficit'
 - f. Explain how exchange rates are determined - its relationship with domestic inflation, and how they determine the strength of balance of payments position
 - g. Outline the concept of 'purchasing power parity' in interpreting currency value
22. Money supply:
- a. Describe role and function of money
 - b. Describe role of central bank in controlling money supply
 - c. Describe role of banks in determining the amount of money in circulation
 - d. Describe the concept of money multiplier in lending
23. Financial infrastructure:
- a. Describe the different financial systems
 - b. Describe the role of financial markets in a nation's economy



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- c. Describe the financial institutions and financial intermediaries that participate in a financial market
 - d. Discuss determinants of financial system stability
24. Monetary policy:
- a. Explain determinants of interest rates and how interest rates impact money supply
 - b. Outline India's monetary policy and the role of RBI in formulating and implementing the monetary policy
25. Explain the determinants of economic activity, business stimulus, business cycles, unemployment and inflation in:
- a. Classical and Keynesian approaches
 - b. Neoclassical, Monetarist and post Keynesian approaches
26. Describe how changes in money supply affects:
- a. Interest rates
 - b. Business activity and output
 - c. Unemployment
 - d. Inflation
27. Discuss how government formulates supply side and demand side policies and their impact on:
- a. Taxation, business activity and output
 - b. Increasing competition and market participation
 - c. Research and development, innovation and technological advancement
 - d. Smoothing out economic fluctuations
 - e. Fiscal policy
 - f. Inflation and interest rates
28. Discuss how governments influence exchange rates and how such policies impact business activity
29. Globalisation:
- a. Definition of globalisation and impact on business activity
 - b. Advantages and disadvantages of globalisation
30. Some recent economic developments:
- a. 2008 financial crisis
 - b. Regulatory action globally post 2008 crisis
31. Interpreting Key Macro Economic Indicators :
- a. Examples in the Context of Insurance -Product Pricing & Reserving
 - b. Examples in the Context of Investment Decision Making
